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A Most Popular President, 11 . . . Our Two-Party System, 11 . . . Looking Forward to Election, 12 . . . A Smaller Gold Dollar, 12 . . . Fewer and Better Bankers, 14 . . . Cities That Owe Money, 14 . . . War Talk But No Grievances, 40 . . . Our Philippine Outpost, 40 . . . Uncle Sam's Navy at Its Best, 41 . . . Japan Grows Ambitious, 41 . . . Congress Strengthens the Navy, 42 . . . Manchuria Master of Its Future, 42 . . . Talk of a Japanese War in Russia, 43 . . . Away with Navies—and Humbug, 43.

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Volume LXXXIX



Number Three

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Volume LXXXIX



Number Three

# If You **KNEW** You Were Dying-

**Would you accept your Fate---OR would you Rebel against Death as this Man did?**

Supposing you had been sickly from birth and had struggled through fifty years of life without enjoying a well day. Supposing high blood pressure and a worn-out heart, arthritis and numerous other ailments had deformed and crippled you and made it necessary to live on the ground floor of your home to avoid almost certain death from the exertion of climbing stairs. Supposing you were going blind from Glaucoma. Supposing great physicians said you could not possibly live over four months. Would you give up? Quite likely, most of us would!

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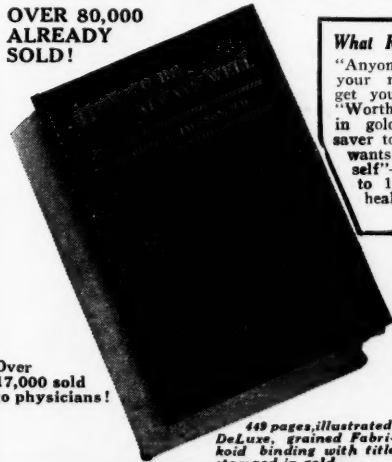
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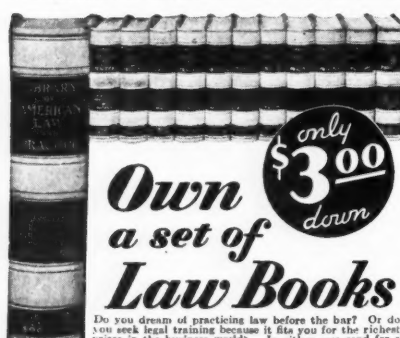
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# THE WORLD OF BOOKS

## Current Reading

### Debunking Patriotism

The Paris Front, by Michel Corday. Dutton, 394 pp. \$5.

THIS BOOK is a hitherto unpublished diary of 1914-1918. The author is a namesake of Charlotte Corday, and has written on that revolutionary lady with distinction. He turned against the trumped-up hokum of the World War, with its prattlings of "Huns" and "Clown Princes" and "Bleeding France" and "Brave Little Belgium". M. Corday held an important position in the French civil service, and was an active member of the political left—that is, the liberals. His sarcastic observations on French patriotism in Paris are well worth the price of admission; yet under it all one readily perceives a noble spirit wounded to the quick by the horrors that French and German war-makers perpetrated on all mankind.

"The troops are to have the privilege of taking home their steel helmets. And yet people can say that the authorities have not done everything for them"—is a typical Corday comment, as the war ended. When Lord Kitchener was lost at sea—"Tristan sent a message to some English people about the disappearance of Kitchener: 'Oh! What a misfortune.... Such a fine ship!'" Or again—"The French newspapers are holding forth on the idea that Right is bound to triumph over Force. The irony is that Right must use Force to win that triumph." As to war heroes—"In the army they call Mangin 'the butcher'. Even in patriotic circles he has the reputation of mercilessly sacrificing his men. He was given advancement in the Legion of Honor on the ground that his forces had recaptured Douaumont and Vaux. The soldiers who came back alive shouted to him as he went by: 'Well, you've got your decoration, anyhow!'" Here is war as it is, described by the keenly analytical pen of a French humanitarian.

### "Hot from Paris"

Lord Riddell's Intimate Diary of the Peace Conference and After. Reynal and Hitchcock, 435 pp. \$3.75.

LORD RIDDELL was official press delegate to the Paris Peace Conference at the close of the World War, and to a series of international conferences thereafter. His diary covers five years—November, 1918, to November, 1923. He says: "I attended sixteen conferences—three in Paris, three in London, four in Lympne, and the others at San Remo, Boulogne, Brussels, Spa, Lucerne, and Cannes. Later, I went to Washington to represent the British press at the Disarmament Conference." He was a highly privileged observer, with easy access to the great

ones as well as the would-be great ones.

Mr. Lloyd George was a frequent companion of Milord. "L. G." was housed in the Rue Nitot among beautiful French furniture, whose defacement led to a "heavy claim for dilapidations". Woodrow Wilson was "guarded by detectives morning, noon, and night. Today I saw one of them standing outside the lavatory watching over his chief." A British general remarked that Germany was faced with two alternatives—"a militarist autocratic state, or a militarist Bolshevik state. Which it will be, he does not know, but is sure it will be one or the other." The general would know today.

Lord Riddell's book is of great interest, and shows moderation and balance even in the heat of crazy-quilt conferences. The diary form is often a more graphic portrayal than straight history, and in this case it certainly is. Every line teems with gossip, facts, and color, and the pleasant job of reading gives a sure key to the enigmatic treaty of Versailles, signed, alas, in 1919.

### Historic Revolts

Handbook of Revolutions, by Roger Shaw. Review of Reviews, 189 pp. \$1.

BOOKS about revolutions, like books about love, are generally cut on the bias—a method which lops away facts to keep the threads of theory from raveling. Facts, however, rather than theories are concerned in this readable handbook. With broad, horizontal strokes Mr. Shaw slices off clean the top sections of revolutionary movements from the Amazons to Roosevelt; and, by a process of radical simplification, he has transformed a great quantity of information into negotiable form. Here is no collection of dull historical data. Spartacus and his rebels; the shock troops of Oliver Cromwell—prayerful and two-fisted—all move at breath-taking speed. The French and Russian revolutions are sheared of their intricacies; and a few of the jigsaw pieces of the Chinese maze fall into place. The book will do much toward sweeping away the cobwebs which blur the average reader's impression of history and provide a comprehensive background for more detailed inquiry into a timely subject.

### A "New Deal" Textbook

Our Economic Society and Its Problems, by Rexford G. Tugwell and Howard C. Hill. Harcourt, Brace & Co. 566 pp. Ill. \$2.50.

THE ECONOMIC HERESIES of other decades are honored in practice in 1934. The objectives of the "New Deal" were once ridiculed as Utopian dreams. Therefore,



some comprehension of today's changed economic views calls for a contemporary re-statement of our whole scheme of existence. Just such fearless and fundamental clarification is the purpose of Professors Tugwell and Hill. While the book is designed as a classroom textbook, the evident need for popular enlightenment on the new economics may find for it a large adult audience. Its elementary approach to the hundred and one complex phases of modern life leads the unwary reader into taking large doses of facts and figures not ordinarily to his taste. Between the chapters on slavery in ancient times and the latest proposals for economic planning in the United States, are covered all the problems that are clamoring for solution: farm accounting, foreign trade, stock market regulation, technological unemployment, and so on. The book's dominating theme is: "How can we raise our levels of living?"

Since Professor Tugwell is today the outstanding member of President Roosevelt's "brain trust", and Mr. Hill is a well-known writer on civic problems, it may be assumed safely that they speak for the Administration and the claim made for their book is to be accepted at its face value, namely, that it "gives the factual background and theoretical framework for the 'New Deal'".

## More About Russia

THE READER seeking an authentic knowledge of the developments in Soviet Russia today is left in a quandary by the flood of literature from the pens of correspondents and visitors. Alexander Wicksteed is peculiarly qualified to write about "My Russian Neighbors" because he, an Englishman, has lived among the workers of Moscow for the past eleven years. He lives without the special privileges frequently accorded foreigners, teaches at the educational centers, and travels up and down the vast country to learn how the five-year plans are affecting the average man. Mr. Wicksteed does not attempt to give a political portrait of the country, but he does know why the worker receiving a salary of 60 roubles may be better off than the one who earns 300. He tells you what the masses eat, where they buy, how they treat their children, what advances they have made in education. There is no glossing over of the low living standard, but, he reminds you, the revolution is still going on. What is true of Russia today may be gone and forgotten a month or two hence. (Whitely House, \$1.75.)

• • WALTER DURANTY, Russian correspondent of the New York Times, is generally considered the leading authority on the Soviet Union. "Duranty Reports Russia" is a collection of the great master's writings over a period of twelve years, covering Leninism, Stalinism, collectivization, and fascinating sundries. Gustavus Tuckerman, Jr., has selected and arranged the Duranty material with great skill, and Alexander Woolcott has typed an adequate introduction on Duranty himself—a fine gentleman whom the reviewer has the privilege of know-

ing. Says Duranty in a preface: "The most one can do is to write the story from day to day as one sees it, without fear or prejudice." This he has done to a tee. (Viking, 401 pp. \$2.75).

• • ANY BIOGRAPHY OF LENIN is necessarily the story of Communism and a commentary on pre-war Russia. In preparation for writing this new contribution, Ralph Fox delved into all the available works of Lenin—his books, letters, and the memoirs of his wife. The result is a detailed, unemotional report, which is nevertheless thoroughly readable. Mr. Fox was himself a member of the Russian Communist Party for a time. (Harcourt, Brace, 320 pp. \$2.00.)

• • SHERWOOD EDDY can be relied upon in life, in thought, and in books. He has made ten trips to the realm of the bear, and has seen it under Czarist and under Soviet auspices. "Russia Today" devotes three chapters to red evils: bureaucracy, violence, and atheism. Red virtues—"possible contributions to human welfare"—receive eleven chapters, including social planning, penal procedure, care of children, slum clearance, agricultural methods, and the new morality. Mr. Eddy, himself a prominent church-worker, throws a clear light on the status of religion under the red star—and indeed on everything else in a worthy classless society "without distinction of race, color, or caste. There is probably less race and color prejudice in the Soviet Union today than in any country in the world that has a mixture of races. And this is in a land of recent Jewish pogroms fomented by church and state." (Farrar and Rinehart, 316 pp. \$2.50).

• • "THE SOVIET STATE", by Bertram W. Maxwell, is a "study of Bolshevik rule". The writer is a college professor, and an acknowledged authority on government in general. Dr. Maxwell gives the Russian background of government in pre-war days, the coming of the Soviets, the Communist party organization, municipal government, city planning, rural government, provincial government, the central government, civil service and judiciary, administrative coercion, law enforcement, civil liberty (or lack of it), police, social life, labor legislation, women and children, and social evils. Here is a scholarly book which is of priceless value for reference. It is written impartially by a writer who understands comparative public values. Very highly recommended. (Steves and Wayburn, Topeka, Kansas, 383 pp. \$3.50).

## Recovery

Current Monetary Issues, by Leo Pasvolksy. Washington: Brookings Institution. 192 pp. \$1.50.

THIS VOLUME has double value, in that it is (1) the work of an author fully prepared for his job, and (2) the product of a research organization, without bias, adequately equipped to aid the author. It carries the story from the monetary position of the world at the beginning of 1933, through the discussions at Geneva and London, to the historic decisions at Washington that involved departure from the gold standard and, later, the

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## Handbook of REVOLUTIONS

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THE author selects twenty of history's important revolts against established order. He discovers anew the origins of revolutionary ideas and ideals, the challenges to oppression whether from tyrannical emperors, from bigotry, from privileged classes, from dominating parents, or from a selfish male sex. He tells the thrilling story of humanity's ceaseless struggle for the greatest good for the greatest number.

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purchase of gold to raise prices. Documents presented in the appendix include the American statement of policy at the London Economic Conference and the President's radio address, introducing the gold-purchase plan and managed currency.

• • LEONARD P. AYRES belongs by right in any select group of explanatory economists. His volume on "The Economics of Recovery" (Macmillan, 189 pp., \$1.75) first sets a proper background, and then deals with the Industrial Recovery Act, inflation, managed recovery, and foreign trade. It is a commendable volume, not at all a technical treatise.

• • WHAT STEPHEN FOSTER might have written had he been a better musician will remain always a matter for pensive speculation. About the author and composer of "Old Folks at Home", "Nelly Bly", "Massa's in de Cold Ground", and a hundred songs now recognized as the truest expression of native American music, has grown a miserable legend reminiscent of Poe. John Tasker Howard, author of "Our American Music", has assembled a tremendous mass of fact from which he has reconstructed the true saga of the Pittsburgh Schubert. "Stephen Foster, America's Troubadour" (Thomas Y. Crowell Co. 445 pp. \$3.50), should find a welcome place in every music lover's library.

• • THE NOBLE motives with which America entered the World War fathered a plan of war risk insurance that was intended to forestall future pension raids on the Treasury. The records show 192,369 men invalidated home, one-half only slightly wounded. Yet in 1929 there were 262,138 World War disabled men on the pension rolls—and millions who had never served overseas were clamoring for bonuses. What changed democracy's gallant crusader into a grafter and a menace to the law? Miss Mayo, whose "Mother India" put Gandhi's country in the headlines, has searched the records and hospitals of warring nations for an answer. America, she finds, has spent more and done less for her actual war wounded than any other nation. Miss Mayo's handling of the American Legion is without gloves in "Soldiers: What Next?". She charges its spoils-minded leaders of acting in the name of the real soldiers, and without their consent, to blackmail a weak-kneed Congress into special class legislation. Miss Mayo wields a mean statistic; and if spineless politicians and treasury looters were able to read her book, their faces might become embarrassingly red—that is, until they remembered that John Q. Public is still a disciple of *laissez-faire*. "Soldiers: What Next?" is TNT by any intelligent analysis—but Anna Sten's new picture will probably create a greater furor. (Houghton, Mifflin, 568 pp. \$3.50).

• • THE FIFTY-FIRST SERIES of Johns Hopkins Universities Studies in Historical and Political Science (Johns Hopkins Press, Baltimore, Md.) includes elaborate accounts of Scipio Africanus, the slave trade in Anglo-American relations,

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• • OUTSIDE of Holland and Belgium, perhaps, America is the most thoroughly bourgeois country in the world. "The American Adventure" is—avowedly—a study of bourgeois civilization by M. J. Bonn, who is something of an authority on capitalism in these United States. Mr. Bonn takes up every phase of Americanism, from asceticism to imperialism, and from Indians to business men. He shows deep perception, and writes entertainingly of Uncle Samuel. This book will cause its readers to take America less as a matter of course. After all, we have our peculiarities. (John Day, 318 pp. \$2.50).

• • OSWALD SPENGLER, who believes in the gloomy decline of the West, is still in Germany. In this he differs from many German intellectuals, who have proved the bane of the embattled Nazis. "The Hour of Decision" (Knopf, 243 pp. \$2.50) is a condemnation of nineteenth-century democracy and liberalism, and an appeal to Prussian militarism—which alone, Spengler believes, can save the western world from an eastern tide of anti-culture. The book is frankly aristocratic, and Herr Spengler believes that the next decade will decide the uncertain fate of poor old Mme. Pan-Europa.

• • "WHITHER Latin America?" is by Frank Tannenbaum (Crowell, 185 pp. \$2). Economic and social in theme, it takes up finance, industrialism, population, labor problems, transportation, agriculture, and foreign trade. Here is Latin America treated as a reality, and not as a glamorous collection of revolutionary "banana republics" reeking with tangos, gauchos, and multi-colored what-nots. This book is extremely informative, and is at the same time thoroughly readable. Dr. James Shotwell, of Columbia University fame, recommends it in an introduction.

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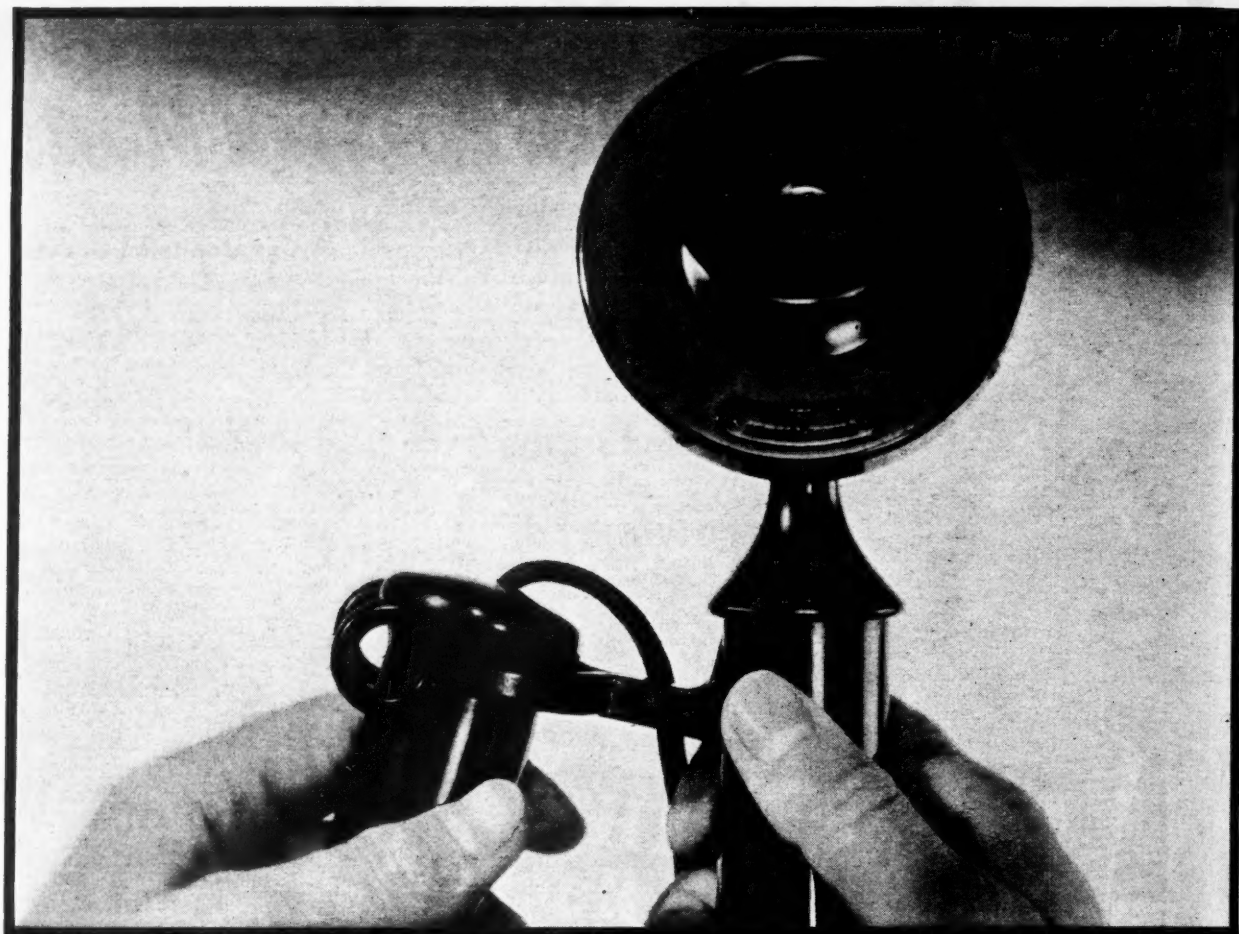
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## ◦ THE PROGRESS OF THE WORLD ◦

### One Year of President Roosevelt

By ALBERT SHAW

#### A Most Popular President

PRESIDENT ROOSEVELT's first year in office ends on March 4. If any President has ever been as popular or as influential as Franklin Delano Roosevelt has made himself in one short year, our memory of political history fails to recall the man or the period. Regular readers must know that we believe this public accord to be wholly fortunate for the country.

The enthusiasm with which the President's fifty-second birthday was celebrated on January 30 was a genuine tribute of respect, confidence, and affection. It was acknowledged by Mr. Roosevelt in a radio speech that had the merits (characteristic of all his addresses) of well-chosen and gracious language, directness and brevity, and the most persuasive and agreeable voice that the American public ever hears. Chosen to lead America in a time of unusual perplexities, Mr. Roosevelt has learned to use the radio more effectively than any other man or woman has used it since its possibilities have been made available by a combination of inventive genius and business enterprise.

Under domestic and international conditions so strange as those that prevail today, it is fortunate for a nation if it finds itself with a government that is stable. But it is even more fortunate if stability rests upon an unrestricted freedom of press and speech. Still further, a climax of relative good fortune may be ascribed to a country where such freedom of opinion and discussion has not produced political confusion or deadlock, but, on the contrary, has resulted in something like unanimous verdicts of public opinion.

#### What Might Have Been

ADOLF HITLER is doubtless as strong in Germany; and Mussolini's position in Italy is as little disputed as that of our American President. But Mr. Roosevelt is not a dictator, and the support that he has gained has not been demanded or forced but has been voluntary. Conditions had arisen which required action and the support of a leader. This had not been fully understood in the last year of President Hoover. The Seventy-second Congress could not function because it was evenly divided, controlled by lobbies, and hostile to

President Hoover for reasons that were discreditable.

Certainly one political party was no better than the other, but the time had come for a decisive swing of the pendulum. The country was thinking as much about Prohibition as about any other problem, and the Democrats as a party had a clearer record for Repeal than the Republicans.

It was not a question of personalities. History will accord Mr. Hoover a high place for public services over a long period. Mr. Roosevelt's remarkable qualities were not appreciated when he was elected. He was disparaged by many Democratic leaders when he was a candidate for the presidential nomination.

Any one of the other favorites—Al Smith, John Garner, Newton Baker, Albert Ritchie, Bill Murray, a dozen more—would have been elected if nominated, because the country was in a mood to do something decisive. The Republicans had held the presidential office—with Harding, Coolidge, and Hoover—since Wilson's second term. The flush times of business and speculation had followed Mr. Wilson's war; and certainly Mr. Coolidge was not the architect of prosperity any more than Mr. Hoover was responsible for the collapse of prices in 1929, and for the bank failures at the end of his administration one year ago.

#### Our Two-Party System

WITH ALL THEIR intelligence, the American people have a romantic streak and have never been able to understand foreign affairs. They were slow to learn that they had been dragged into Europe's war by propaganda carefully devised, and that they were expected by Europe to finance reparations and to provide continuously for Europe's further needs. With Democratic victory there came a wholesome revival of sturdy Americanism.

Partisanship for its own sake is always urged by professional politicians. No one who studies the history of politics can regard parties and their methods with ardent approval. But in a government like ours the two-party system gives opportunities for agreement as well as for differences. The Democratic victory of 1932 was sweeping; and the President's skill in leadership, his courage, and his resourcefulness have kept Congress responsive to his policies.

It is hard to realize that this so-called "Roosevelt Congress" is about to vanish from our sight. In the extra session, less than a year ago, it gave the President emergency powers to deal with the bank situation. It passed the economy bill, while the veterans' lobby bent before the resistless demand of an aroused citizenship. It provided a plan for industrial recovery and reemployment, voting immense credits for public works and for relief of several million people who were no longer earning wages. After a few busy weeks, approving the President's programs point by point as they were formulated, the extra session adjourned.

In accordance with the changed dates, the regular session began in the first week of January, and it has now been clearing its calendars with a dispatch quite unprecedented. The President adopted the plan of presenting his most critical and important measures at the very outset. The leaders in both houses were prepared to bring everything to a speedy conclusion. The President was willing to accept such amendments to his bills as did not affect essentials.

In the general estimation, the most vital and far-reaching measure was the money bill. We shall refer to it in a later paragraph. We shall think it better to deal with financial statistics at the end of the session. Completed budget figures will then be available. We shall have a new statement of the vastly increased public debt. We shall know the costs of further emergency relief, and the scope of outlays for public works.

As between the coordinate branches of government, no serious differences likely to delay adjournment were in prospect last month. A majority in Congress might have wished to restore silver as a money metal at the old sixteen-to-one ratio with gold; but it was certain enough that the President's more conservative views would be sustained. He was willing to give silver a new status, but not to enrich speculators in that metal.

### Looking Forward to Election

IN THE FIRST WEEK of next January, there will be another regular session of Congress. But it will be the Seventy-fourth, rather than the Seventy-third, that will appear on Capitol Hill. The new Congress will be elected eight months hence—that is to say, on November 6. Under the new amendment to the Constitution it will meet for its first regular session on January 3, which is eleven months earlier than the date to which we had so long been accustomed. No more does an old Congress assemble after its successor has been chosen.

This year's election will have an unusual character. Many Douglas Democrats of 1860 afterward gave Lincoln practical support, while preferring to vote their own party ticket in electing a new Congress in 1862, and in the presidential contest of 1864. Republican candidates this year, for either house of Congress, will have enough to say for themselves and their party without considering it necessary to attack the President or his recovery policies.

Any other man in Roosevelt's place, whether Republican or Democrat, would have been compelled by the pressure of public opinion to assume courageous leadership. This pressure would have come from all citizens regardless of party. Republicans must now treat the Democratic president as considerately as they would expect thoughtful Democrats to treat a Republican president in like circumstances. This is not

merely to apply the Golden Rule, but is to follow the rules of practical politics. As we have said before in these pages, it is well for the President to have Congress working with him, but also desirable from his standpoint that a strong Republican minority should be present to put on the brakes in case of need.

### A Smaller Gold Dollar

THE MONEY BILL is gigantic in its statistical applications. But as applied to the ordinary citizen in his daily affairs, it has made few significant changes. It bears no resemblance to the inflation policies of Germany or of France a few years after the war. It takes us no farther away from the gold standard. On the contrary, it makes gold resumption less improbable. If we had adopted this measure at a time when gold was freely available for the fulfilment of contracts, it would indeed have made a serious jolt in our business dealings. It would have scaled down public and private debts by about 40 per cent.

But we have now devalued the gold dollar at a time when we are not allowed to have gold dollars, with which to fulfil our agreements to pay in gold. The Government sets an arbitrary value of \$35 an ounce upon the gold that it buys from American miners. This means that it gives them paper money at that rate. Gold dollars are no longer a part of our actual money; the Government merely owns a lot of gold bullion. It has borrowed a great deal of money, and it can make repayment under the new law in extra paper dollars, which it chooses to regard as representing the gold bullion that it holds in reserve.

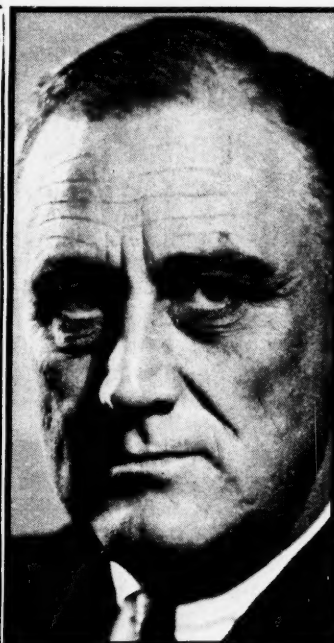
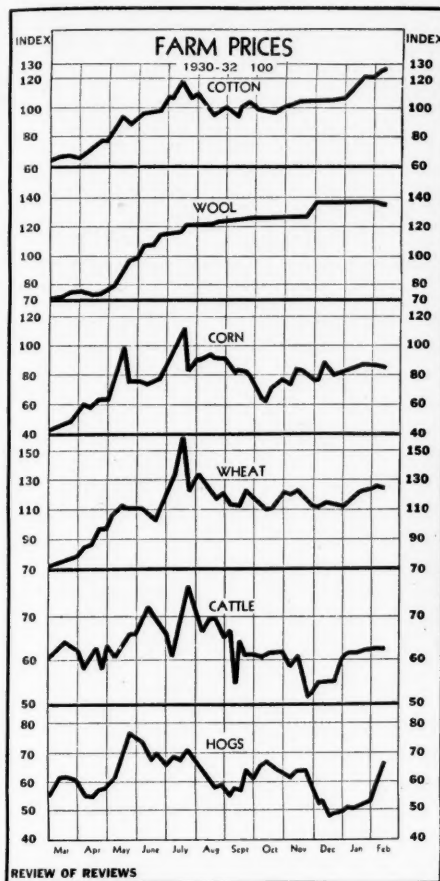
The Treasury chooses to call a certain definite amount of gold three thousand dollars instead of calling it two thousand dollars. As a matter of fact this gold, lying idle in the vaults and not going out as money, represents nothing at all at present except potentialities. If it were put into use again as money, the coins would be smaller; and a given weight of bullion would make three thousand dollars instead of two thousand.

The process could be continued, and our Government could follow the example of France if it so desired. When the French came back to the gold standard several years ago, they put into the franc only about one-fifth of the amount of gold that it had formerly contained. In 1914, one thousand dollars in American gold would buy nearly five thousand francs in French gold. After France went back to the gold standard, one thousand dollars of American gold would buy about twenty-five thousand French francs.

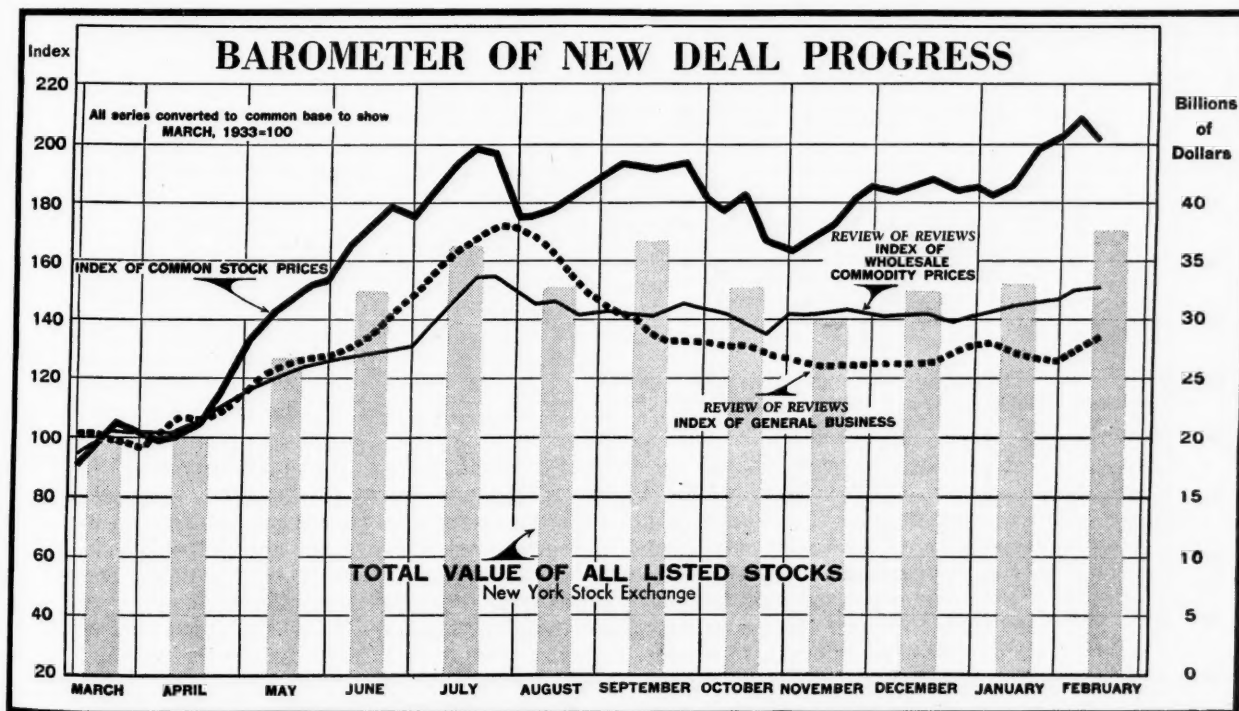
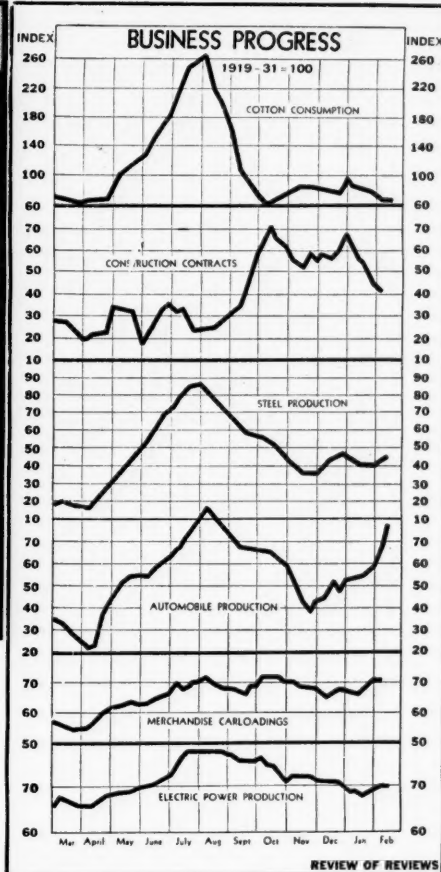
### Morgenthau's Two Thousand Million

OUR PRESENT DEVALUATION can be used in such a way as to give the dollar a definite value in comparison with the currencies of foreign countries. It is likely that bullion will be transferred either as credits or in actual shipment to pay balances arising in the course of foreign trade. It was impossible under conditions existing last summer for President Roosevelt to stabilize monetary exchanges as between the dollar on one hand and the English pound sterling and the French franc on the other. But such stability may now be obtained, whether by agreement or by the ability of our Treasury Department to keep the dollar out of the field of foreign speculation in super-sensitive times like these.

# ... charting the course to recovery ...



A DEFINITE upward trend is revealed by charting the progress of the United States during President Roosevelt's first year. Cattle and hogs lag behind other farm products, and cotton consumption reflects a premature boom last summer. Security values present a pleasing picture to the investor.





Secretary Morgenthau obtains a nominal sum of \$2,000,000,000 with which foreign exchange may be bought or sold in order to protect American trade from the uncertainties of currency fluctuation. It is not likely that there will be much need of any large part of this fund. We shall not try in these running comments to explain the technicalities of foreign exchange. It is enough to say that there is no possibility that Secretary Morgenthau and his associates could employ this fund with any improper motives, and there is only the slightest possible chance that within the coming two years it could be used with unfortunate consequences.

### Fewer and Better Bankers

LAST MONTH in these pages we commented upon the frightful record made by American banks and bankers. Within a few years many thousands of our banks have failed. Regardless of a period of depression, ours has been essentially the most solvent and prosperous country in the world. Why have our banks failed? It is because they were not fit to perform the community functions which they undertook. We are too intelligent to send our children to schools run by illiterate teachers. We do not entrust the health of our families to ignorant quacks. Yet we have deposited our money in local banks too often run by men who were without due professional training or sense of obligation.

This last remark does not fairly meet the situation. The state supervises schools, and subjects teachers to thorough examinations. The medical practitioner must now undergo a long training and a severe public test of fitness and character. We have a considerable number of bankers in the United States who know about banking; but we have had thousands of men running local banks who could not qualify for the job of managing a branch bank in Canada. Some of them are retired farmers, and others have been money lenders or stock-market speculators or bucket-shop traders, lacking both the essentials of character and the background of training requisite for bank management.

We must not, however, let the subject drop at this point. Let us speak well of the individual banker in a western or southern community as friend, neighbor, deacon in the church. He is a good enough business man to run a small bank in prosperous times, when the merchants are doing a brisk business and the farmers are getting high prices for bountiful crops. But suppose bad times come, with the bank's resources spread out over the neighborhood largely in loans to farmers. And suppose something happens to frighten depositors. The bank has to lock its doors, and the slow process of liquidation of assets begins.

### Canada as an Example

THIS COULD NOT have happened in Canada, simply because, other things being equal, there would have been no stampede of depositors. Everybody would have known that the bank was merely a branch. The central bank of the system would take full care of its local units if depositors suddenly wanted to make withdrawals.

It is possible that each one of our forty-eight states could create a stable banking system. It is also conceivable that each state could have its own safe system of money, like Switzerland or some other well-managed smaller country. But the circulating medium in this

country has actually become nationalized; like the postal system and various other official services.

We may as well decide, once for all—inasmuch as we have already the Federal Reserve Banks and the National Banks—that we will extend federal banking facilities to the nation as a whole. Many thousands of banks have recently allowed the government to purchase preferred stock, and thus to become a partner. Virtually all reputable banks are now protecting deposits up to the amount of \$2500 by membership in a new federal agency. These makeshift measures will serve as palliatives. It is to be regretted that the situation was not handled in a more drastic way a year ago, though nobody is to blame.

The system of home-owners' loans begins to prove useful and effective in thousands of communities. It ought, however, to be temporary, because a plan of this kind is too local and detailed for national management. Owing to the collapse of local banks and credit institutions, the federal government intervenes to help the home owner and the farmer in actual emergency. The Treasury finds idle money, especially in the banks of New York, so that it can borrow at very low rates of interest for re-lending. This is not a normal situation; and if business is to get back to regular movement, current funds will be absorbed by private borrowers at higher rates of interest.

### Cities That Owe Money

THOUSANDS OF municipalities are in trouble about their bonded indebtedness. A few years ago they were paving streets, constructing sewers, building schoolhouses, creating parks, and extending their public facilities in various other ways. They have not been able to pay the principal of maturing obligations just now, and some of them have defaulted from interest payments as they came due.

There is a dangerous and wholly fallacious doctrine spreading like wild-fire through certain states, to the effect that cities should be allowed to take advantage of their present bad credit go through something like bankruptcy proceedings, and pay off their debts at a few cents on the dollar. They would thus keep their schoolhouses, paved streets, sewers and parks, and welch out of paying for them.

If they can buy some of their bonds in the open market at a considerable discount and cancel them, they cannot be charged with dishonesty. Broadly speaking, however, the city that cuts its expenses and manages its affairs with prudence and sense will meet its obligations in full. It will restore its credit, and prosper accordingly in the better times to come.

New York City has a stupendous bonded debt, much of it due to the extravagance of Tammany's misgovernment. The new administration of Mayor LaGuardia had devised economies that would protect the city's credit if sufficient authority were granted to the Mayor and the Board of Estimate. This required legislation at Albany. Governor Lehman favored the LaGuardia measures, which required much more than a simple majority under the constitution. Tammany members of the Legislature last month were obstructing these necessary bills, while all good citizens were bringing pressure to bear to convert the requisite number of Democratic votes. The Republicans favored the reform measures, to a man.



THE MONEY BILL is signed by President Roosevelt, on January 30, his fifty-second birthday. His financial advisers here assembled are, from left to right: Herman Oliphant, of the Treasury Department; Henry Morgenthau, Jr., Secretary of the Treasury; Eugene Black, Governor of the Federal Reserve Board; Prof. George F. Warren, author of the gold-purchase plan; George L. Harrison, Governor of the Federal Reserve Bank of New York; and Prof. James H. Rogers.

### Abuses, Scandals, and Mistakes

AT WASHINGTON, it had become certain that a law would be enacted to control the stock market and other financial markets, while a separate bill was pending for the regulation of cotton, wheat, and other commodity exchanges. Facts brought to light before a Senate investigation committee had made stock-market regulation inevitable. Legislation last year affecting the issuance of new securities had been too drastic, and in some respects it was likely to be modified. Mr. P. W. Wilson is presenting to our readers this month some facts and comment relative to legislation—both in Britain and the United States—that seeks to protect the investor. The difficulty is to frame laws that will afford proper safeguards, without throttling legitimate financing. Mr. Raymond Clapper's article reflects the background of the "influence racket" which has marred the record of various departments at Washington, and became front-page news last month through the annulment of all air-mail contracts. Mr. Joseph Stagg Lawrence contributes to this issue a thought-provoking article which raises the question: "Can the New Deal Succeed?" We commend it to our readers.

We should prefer to defend rather than to criticize the government's management of the NRA, the AAA, the PWA, the CWA, the CCC, and certain other parts of the President's program for recovery and relief. To avoid graft, fraud, and scandal is by no means easy. The President does not intend to permit partisanship or personal misconduct in any of these services.

For Mr. Hopkins let it be said that he has done an immense piece of work in record order. Some mis-

takes and abuses could not have been avoided. Secretary Ickes proceeds calmly and carefully to inaugurate public works in a businesslike manner. Secretary Wallace and his aides of the Agricultural Department are trying bold and novel experiments, with partial success, with public spirit, and with entire frankness. They have made mistakes in some fields—as, for instance, in their treatment of the marketing of citrus fruit. Wheat should have been allocated to regions, with protection for crop rotation and with cessation of "one-crop" speculative wheat production in certain parts of the Southwest.

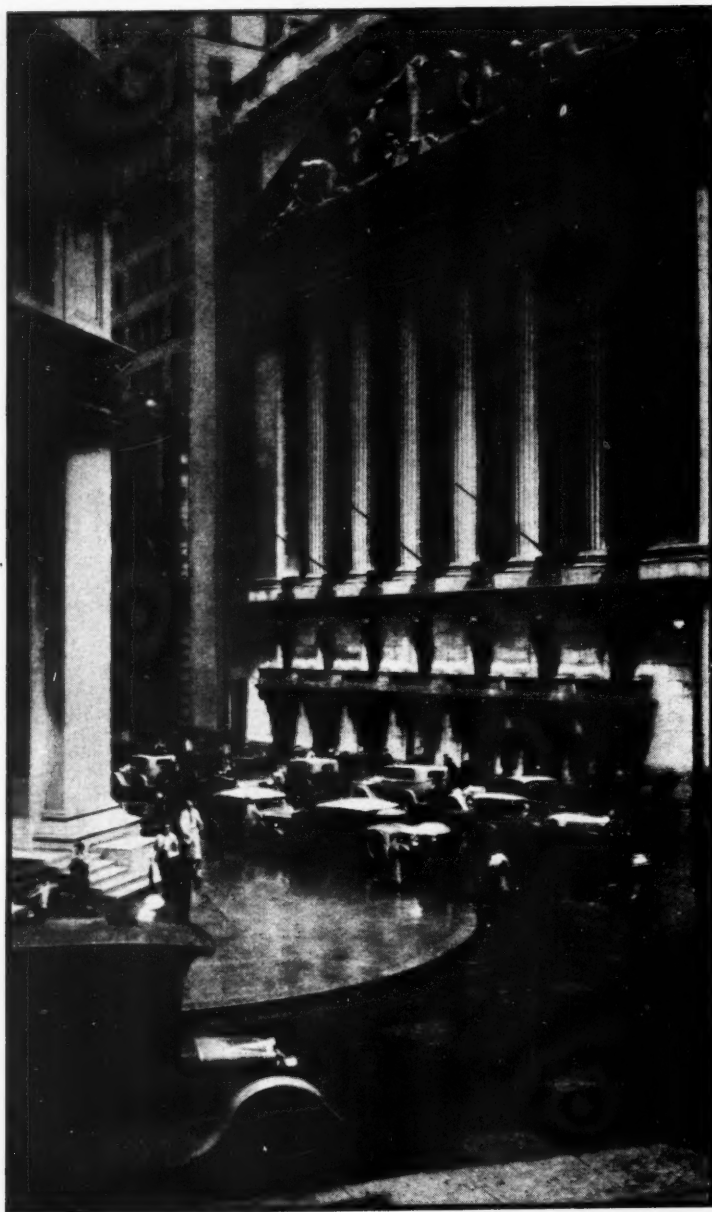
Dairying also should have had regional protection; and in the states east of the Mississippi it should have been encouraged rather than repressed. Wheat, corn, and cotton exhaust soils, while leguminous crops—with the pasturage adapted to dairy farming—maintain and restore soils. Children, whether in city or in country, are not given half enough milk. The dairy farmer should have been relieved by a great extension of the demand for dairy products.

Business is slowly improving, but it must be allowed to earn profits. The wage-earners themselves would be better off if they could take the trade-union lobbyists away from Washington. It will be futile for government to try to force wages up to high levels, and to compel private industries to reduce hours and employ more men, while business is still at low ebb, with bonds in default, and with shareholders getting no dividends on their investments. Up to a certain point, government can help business recovery. Beyond that point, government may retard rather than expedite the return of prosperity.

On page 40, Dr. Shaw's editorials are resumed, discussing especially war scares and the relation of the United States Navy to world peace.

# The SECURITY of Securities

★ THE PRESIDENT and Congress are taking seriously their promise to protect the investor from dangerous and unfair practices. Our law-makers as well as our distributors of securities are profiting by the experience of Great Britain in a similar attempt to provide safety, through laws, for the investing public.



Ewing Galloway

LOOKING at the New York Stock Exchange across Wall and Broad streets from the steps of the Sub-Treasury. At the left is the doorway of J. P. Morgan & Co.

THE FARMS and factories of the United States, the mines, railroads, and utilities, are facing an ultimate economic issue. Is the capitalist system to survive? Or are we drifting from rugged individualism to public control and, virtually, public ownership of the entire machinery of production, distribution, and exchange?

The citadel of the capitalist system is the picturesque vista enshrining the spire of Trinity Church, and famous as Wall Street. Against Wall Street there has arisen furious resentment. Of clericalism, Gambetta said: "There is the enemy." And that is what millions are saying of Wall Street and the big business there conducted.

It is not only Father Coughlin of Detroit, the Savonarola of silver currency, who hurls backhanded compliments at any banker or broker loitering along the sidewalks of Wall Street. President Roosevelt, however amiable he may be in voice, uses incisive phrases when, in one panegyric, he includes the money-changers in the temple among kidnapers, bandits, and racketeers. An inter-departmental committee at Washington has reported that "certain persons occupying high positions in the banking and financial world" have failed to maintain "those high standards and ideals which the public had been led to expect of them."

Over the meaning of these emotions there is no mystery. Under the capitalist system, as applied hitherto in the United States, a man has been told that he must provide for a rainy day. He must not expect from the state any insurance for unemployment—it would be a dole—or old age pension. He must cultivate the virtues of thrift and save money. Never must he surrender his sturdy and pioneering independence.

The careful breadwinner has endeavored to fulfill these economic injunctions; and he finds that there are, broadly speaking, four ways in which he can take care of his savings. He can build up insurance policies by paying premiums. He can lock up loose cash in a safe-deposit box or other convenient stocking. He can deposit money in a bank. He can invest it in some kind of more or less negotiable security or other property.

It seems simple and straightforward. But when the careful breadwinner begins to have dealings with capitalism he is liable to find himself, as he thinks, in what golfers call the



By  
P. W. WILSON

rough. Under Counsellor Hughes—now Chief Justice—insurance corporations were debarred from indulging in speculation and other misuse of funds in their keeping. But a man may not wish to put all his eggs into that basket, and insurance, on its side, may not be ready to undertake entire responsibility for accumulating investment.

What, then, is the plain man to do with his uninvested surplus? If he leaves these dollars in his safe-deposit box he is accused of hoarding; and when the dollars are gold it is declared to be a crime. When dollars were put to use as deposits in a bank, what was the sequel? Suddenly the owner discovered that his own legal property, intrusted in good faith to institutions legally authorized to discharge the trust, was withheld from him. And to this day billions of this money, on which families depend for necessities, continue to be frozen.

Investment is no plainer sailing. It is said that real estate cannot run away. But it can depreciate, and mortgage bonds with interest confidently assured—even “guaranteed”—are now suggestive of ill-omen.

The perplexed breadwinner has heard that, somewhere in Wall Street, there is a stock market. In most cases he has never seen the place or made a study of its operations. But he decides to try his luck, and frequently it has been his innocent whim to invest in securities when prices are high. He supposed that at such prices the securities must be excellent.

A little later in the day he has learned that prices, when high, may be inflated. Such prices have a way of finding their level, and to his pained astonishment the breadwinner discovers that his hard-earned cash, thus invested, vanishes suddenly and silently away. Who gets it, he does not know; indeed, it is not easy, even for economists, to say precisely where the money goes when securities diminish in value. But one thing is certain. It no longer belongs to the impoverished breadwinner.

His losses have not been small. According to a Congressional report, about 50 billions of new securities were floated in the United States during the decade following the war. At least one-half of these securities, or 25 billions, proved to be worthless. It worked out at a loss of \$225 or thereabouts per head for every man, woman, and child in the country, to which average must be added whatever, on the average, was lost owing



By Burton Holmes from Ewing Galloway

LONDON'S financial storm center. The Royal Exchange bears a striking resemblance to the New York Stock Exchange.

to the fluctuations of many securities previously issued.

These various experiences have got on the nerves of the average man. He does not pretend to understand finance. Discussions of credit and currency merely bewilder his mind. But he has learned what it is to be exploited as “a sucker”, and he has had enough of it. Let the wolves of Wall Street, as he regards them, be treated like the wolves of the other underworlds.

The wolves of Wall Street, being human, put their side of the case. Liberty Bond campaigns, so they argue, had taught a vast public for the first time how to purchase securities by means of loans from banks. That sweet taste of what is meant by credit intoxicated the community.

To gamble on bank loans was found to be fatally easy, and suddenly millions of people—who never in their lives before had operated in stocks and bonds—were seized with the speculative mania. The stock exchange, the wheat pool, and the cotton market, serving purposes which are essential to society as organized, were transformed into a coast-to-coast casino. From curb to skyscraper Wall Street was swept by alternating tides of buying and selling which big business was as little able to restrain—had it so desired—as Mrs. Partington was successful in trying to push back the ocean with her mop.

That is the answering howl of the Wall Street wolves. And let us frankly admit that to concentrate gambling guilt on the bankers and brokers would be as irrational

as concentrating war guilt on the Germans and Austro-Hungarians. A nation, still acquisitive in impulse, was in a mood to be sold.

But is that quite the whole story? Every country has its booms and its slumps, and even its panics. The more reason, therefore, why captains of commerce should observe a sense of responsibility. It was their duty to warn the unwary of unwisdom. Instead of doing that duty, they excited an excitable market still further, stimulating speculation by every device of publicity, and exploiting the folly of the foolish by a high-pressure salesmanship of bonds and stocks which astounded the financial opinion of Great Britain. What, ask critics, is to be said of bankers who released unlimited credit to inexperienced speculators on margins?

ON March 4, 1933, every bank in the country was closed, and it was obvious that the financial system—or lack of it—was out of hand. The people turned, therefore, to the Government for help; and the Government studied conditions in other countries—especially Great Britain.

In the United Kingdom there were halcyon days when anybody could run a bank and start a company. In the South Sea Bubble and other financial smashes, what seemed at the time to be vast sums of money were lost. Today, banking law in Britain—developed and codified over a period of seventy years—is strict and strictly enforced. Companies are registered, their lists of shareholders are open to inspection, their financial statements are filed with a public department, and they are held to be responsible, either in common law or in statute law, for whatever is said in prospectuses appealing for new capital or in reports to shareholders. The liability attaching to a speech by the chairman at a shareholders' meeting—which might include impromptu passages—is, perhaps, less clearly defined; and these frequently are circulated and published in the press as advertisements.

The case of Lord Kylsant, a year or two ago, is significant. This peer of the realm was the richest shipowner in the world. His social and political influence could hardly have been greater. He was defended by Sir John Simon, now the British Foreign Secretary and admittedly the leading advocate of his day. Yet Lord Kylsant was sentenced to a term of one year's imprisonment, and for what offence? He announced dividends. But—it was contended—he did not make it sufficiently clear to investors that the dividends were paid out of profits accumulated in earlier years as a reserve fund. In other words, there was held to be a concealment of the fact that, in the current year, the company had made a loss.

The question has been whether such supervision of financial operations is not possible in the United States, and in answering the question we must begin with a general observation.

What is the Government? It is not an omnipotent automaton, empowered to turn out rectitude in business as a machine turns out sausages. The Government, like the corporations that it is to control, is itself an organization of human beings, no different from other human beings. If the Government is to discharge new and serious responsibilities, it must be equipped for the purpose.

That equipment must be, first, administrative. In Great Britain there is a civil service, recruited by public

examination, divorced absolutely from politics, irremovable during good conduct, but rapidly removable in those rare instances where conduct has been amiss. The schools and colleges of the United States provide ample material of the finest kind for such a completed civil service—federal, state, and municipal—in this country. But this material has still to be mobilized, and made permanent as an instrument of the will of the people.

Secondly, the equipment must be legislative. In Great Britain there is one Parliament. In the United States, there are 49 of them each exercising jurisdiction over banks and stock exchanges. It is thus by indirect pressure that an essential federal authority has to be asserted. No bank can afford to quarrel with the sources of national credit. No stock exchange can operate if for any reason it be denied the mails.

The regulation of finance is thus possible. The public temper being what it is, such regulation may be carried—for the time being—to any lengths. Bankers and brokers are in so chastened a mood, at the moment, that they are nervous over getting on the wrong side of the law, however complicated, however difficult fully to comprehend in all its details the law may be. The President still wields the big stick. But the effects of regulation are another matter and not always are they appreciated.

The Republican administration insisted upon an extra-legal right to pass upon foreign loans. It did not approve any loan, but unless there was objection it refrained from disapproval.

The international houses that issue such securities were entirely content with this procedure. The very fact that a proposed loan had been submitted to the authorities at Washington and had not met with any objection, assisted the flotation. And at a later date, when some of these loans failed, there were many who, rightly or wrongly, declared that the administration must share the blame. No government can inspect a financial venture and permit it to proceed without implying some kind of guarantee of its suitability.

In the case of banks, the association of control and guarantee has had to be frankly admitted. A law was passed containing numerous safeguards, and among them was the duty to remove officials of a bank for "unsafe or unsound practices." It was accompanied by an insurance of deposits at least up to \$2500.

WITH THIS BACKGROUND in mind we approach the new Securities Act of which there has been such widespread discussion. Those who drafted this legislation have desired to close every possible loophole for evasion, and the wording of the law is thus formidable in its verbiage. Indeed, it has puzzled even the expert lawyers employed by private concerns to deal with their own relation to the Act.

Broadly, the Act compels all persons using the mails for the distribution of prospectuses appealing for capital, to file these prospectuses with the Federal Trade Commission. In the prospectus there must be disclosed "all commissions or discounts paid or to be paid directly or indirectly" by the issuer or underwriter. The prospectus must state in full all facts relevant to the issue; and the penalties for misstatement run up to five years imprisonment or \$5000 fine. Also, the persons making the issue incur a civil liability for damages if losses have been incurred.

Over these liabilities, civil and criminal, there has arisen a heated controversy. Defenders of the Act maintain that an honest financier has nothing to fear. He tells the truth about issues in which he participates and is thus relieved of all reason for misgiving over the sequel.

Opponents reply that new issues are seldom the ventures of an individual. Many persons and firms may cooperate. The prospectus may be based on the advice of many experts. It is a serious matter that in the future a shareholder, aggrieved over some depression in the market, should have a ground for action—even if it be frivolous—against a considerable number of persons, however remote may be their real responsibility for an alleged misstatement.

The Securities Act has stopped the placement of unsound issues. For the moment, the object of the legislation is thus attained. Nor can it be expected that those who made it their lucrative business to distribute doubtful stocks and bonds will applaud a statute that puts a veto on their activities.

But there has been raised a question no less serious. Is the Act preventing legitimate and necessary investment? Does it mean that Wall Street is going on strike? The facts indicate a remarkable situation. Unemployment of labor is usually accompanied by unemployment of capital, and for a considerable period an abundance of money has been lying idle. Money on loan—however difficult in fact it may be to obtain it—has been quoted at 1 per cent or less.

But the business of investing money by the sale and purchase of securities is greatly reduced in volume. According to the *Commercial and Financial Chronicle*, new issues of securities in the United States for the year 1929 amounted to \$11,592,164,029 of which vast sum \$1,409,397,541 was refunding. The new money subscribed by the public was thus \$10,182,766,488. Yet in the year 1933 the new issues only amounted to \$1,053,209,094, of which \$337,576,008 was for refunding, leaving only \$715,633,086 of new money. For every dollar of new money that was found by the investor four years ago, there was forthcoming last year no more than seven cents.

It may be that this situation is temporary. As the wolves of Wall Street accustom their lungs to the rarefied atmosphere of a loftier ethical plane, they may renew their accustomed occupations.

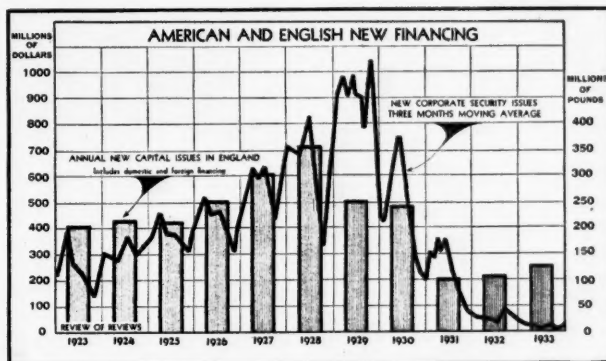
OTHERWISE the implications that have to be recognized are indeed serious. The United States, like the world as a whole, awaits further development. Hitherto that development has been financed, in the main, by the private citizen. If, however, the private citizen withholds his money, for any reason, are we to infer that development must be halted? In the progress of civilization we cannot call such a halt. If private capital fails, public capital must be provided, and this in effect is nationalization.

The danger is that investors may seek to have it both ways. They may wish to speculate. But they may also wish the country to safeguard their speculations against loss. There is no such guarantee against commercial risks in the Securities Act. It is no more than an attempt to penalize what is crooked in commerce, and time will show how far such a deterrent is effective as a stabilizing influence over quotations.

There is a demand that the Securities Act be

amended. Time will show whether Congressmen are thus courageous. But, amended or not, the Act is not the last word.

The stock exchanges themselves are under the searchlight. They do not issue securities. They handle them when issued, and this may be no less expensive for the investing public. Into the mysterious depths of pools and the iniquities of short selling, we cannot here enter. The big question is whether the stock exchanges of the country shall be brought, like railroads and banks, under the direct surveillance of a public department at Washington, and the recent message of the President proposes such a policy. Let the individual broker still



be responsible to the immediate discipline of the exchange, which is speedier than law. But let the exchange itself be responsible to the nation.

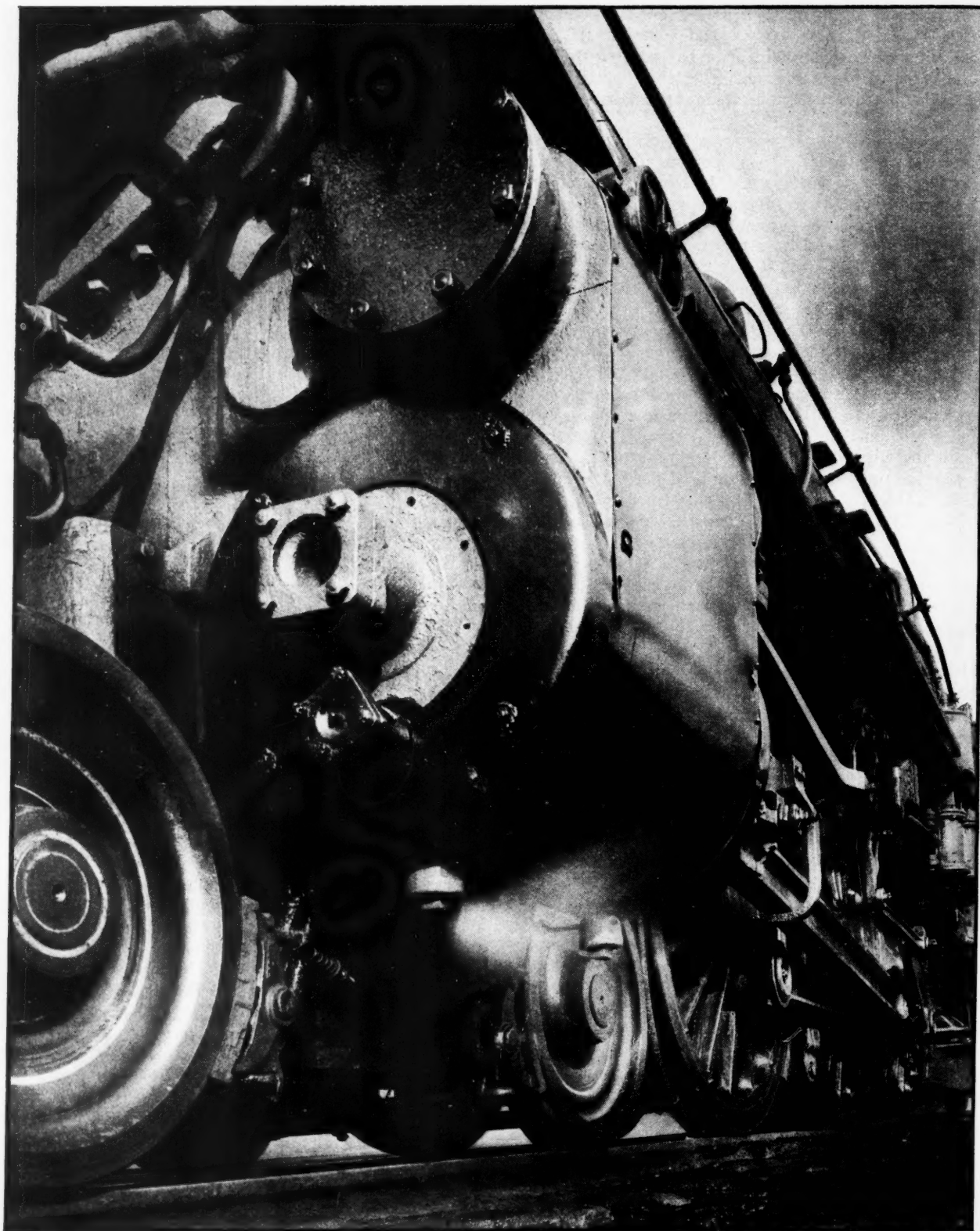
A stock exchange bill, more drastic than the report, is before Congress, and a lively debate has arisen over this latest elaboration of "planned economy." It is only a general comment that is here possible.

Life is a game and no game can be played unless there be rules. A man may use a hammer to drive his own nail into his own wood. But he may not use a hammer to break another man's window or crack another man's skull.

The amenities of life are elaborated. So must we elaborate the rules that determine the use of those amenities. For horses and carts, traffic regulations are simple. For automobiles, there must be lights and speed limits. And so with property. When money was kept in the pocket it was enough to insist that pockets must not be picked. But when millions of people invest money in corporations, and by a stroke of the pen change those investments, there must be corporation law and corporation lawyers.

But regulation is no real substitute for rectitude, and it is rectitude that has now to be cultivated. In the reputation of Wall Street, the commonwealth itself is involved. We denounce the disciples of Lenin and Trotsky who organize communist parades. What about the traitors within the capitalist camp? Are not they a thousand times more dangerous to social stability than the humble, if annoying, agitators on the sidewalks? The frauds of Stavisky have shaken the French republic to its foundations, and if the Insulls of Chicago, the Kreugers of Sweden, the Hatrys of London, and a multitude of less eminent disciples are to be tolerated as money-changers in the temple, the triumph of communism will not be long delayed. It is integrity alone that exalteth the nations; it is integrity that, at all costs, must be vindicated.

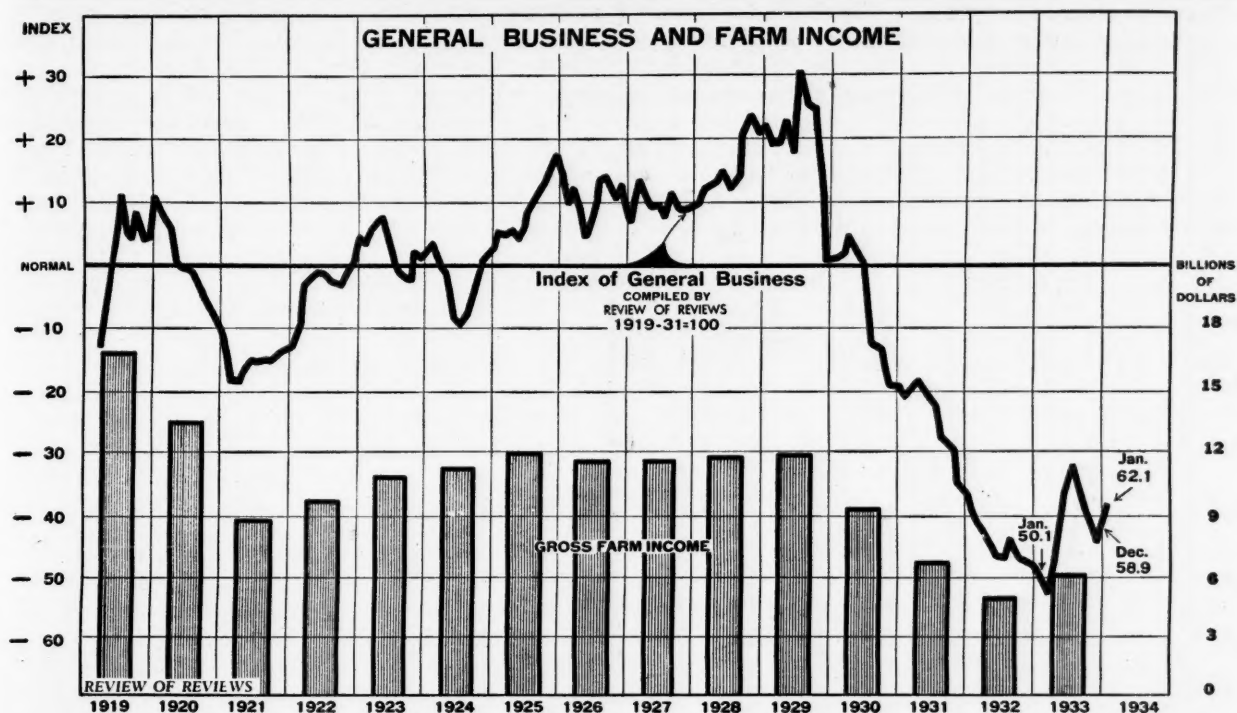




By Doherty, from R. I. Nesmith & Associates

EARNINGS of the Class I railroads make encouraging reading. The net for December, 1933, was up 15.6 per cent from December, 1932, and up 37.5 per cent from December, 1931. For the year 1933 as a whole, net operating income is about 474 millions, which is 41.7 per cent better than 1932 and only 11.9 per cent below 1931.

# THE PULSE OF BUSINESS



THE CHART ABOVE is a graphic record of American economic progress on two great fronts during the post-war period. The heavy line represents the REVIEW OF REVIEWS index of general business based upon 25 statistical series, covering finance, distribution, and industrial production. The bars at the bottom show the annual gross income of the American farmer. A substantial part of the effort and emphasis of the New Deal is directed toward the alleviation of farm distress. While it is no longer true to say that the farmer is the backbone of the country in the sense that he constitutes the major dominant economic interest, the fact is undeniable that he still represents, directly, approximately one-quarter of the population. In terms of political kilowatts, he is by all odds the most articulate and puissant single interest, barring not even organized labor.

## Farm Versus Industrial Recovery

Agriculture's New Deal dividends can best be gauged by examining gross farm income, and the prices of leading farm commodities. Gross farm income for 1933 is 6,360 million dollars as compared with 5,240 million dollars for 1932, representing a gain of 21 per cent. This may be compared with an increase in business activity during 1933 of 2.3 per cent over 1932. These two facts, gross farm income and physical volume of business, are not strictly comparable. Farm production is relatively inflexible so that farm welfare may fairly be measured by gross income. Business welfare, on the other hand, may with equal fairness be measured by physical volume since that volume generally responds to demand and to satisfactory prices.

In the field of commodity prices, some striking inconsistencies are apparent. Using March 1 as our starting point (see chart on page 13) we find in general that textile fibres have made excellent progress, the grains good progress, and hogs, cattle, lambs, and poultry no progress at all. Cotton and wool have both advanced approximately 82 per cent during the first year of recovery. Corn and wheat show respective advances of 62 per cent. Hogs are actually 13 per cent below the level at the time the new administration came into power. Cattle, lambs, and poultry show negligible improvements. Butter fat, another great farm commodity, has been extremely unsatisfactory. During the last two weeks butter has staged a remarkable recovery amounting to more than 20 per cent.

However the farmer may feel about the adequacy of relief, he cannot deny that Uncle Sam is going to heroic extremes in his effort to help him. Some of these measures have been radical, with no precedent to guide the Agricultural Adjustment Administration. It has been necessary to change processing taxes and to levy compensatory taxes upon competing products. The necessity for determining proper mark-ups at various stages of manufacture, as in the case of cotton, has presented difficulties to the Government.

## Two Permanent Principles

Nevertheless the processing tax principle seems to be here to stay, as is the principle of restriction. These taxes are in the nature of a sales levy which the Government collects from the consumer, and passes back to the farmer as a special reward for crop control cooperation.

These benefit payments have been a material factor in boosting farm buying power from which the mail order houses and retail merchants in the south and west have benefited. The Government has also been generous in making loans to farmers for production purposes, and to enable them to carry stocks. In the case of cotton farmers, loans were made on options which the Government had previously given the farmers in order to avoid disturbing prices. (When the Government signed cotton reduction agreements with farmers, they were given the right to buy from Government stocks, at 6 cents a pound, an amount of cotton equal to that which they might have raised on abandoned acreage. When cotton rose to 10 cents, many farmers wished to sell this option cotton and realize the 4 cent profit. To avoid disturbing the market, the Government loaned the farmers this 4 cent margin.)

Another startling departure in Government policy has been the manipulation of foreign trade for the benefit of the farmer. Various reciprocal trade arrangements made with liquor-producing countries have all been used to promote foreign markets for farm products. As this principle is extended to embrace other imports in addition to liquor, the time may come when the exporting of American goods, at least to European countries, will be confined almost entirely to farm products.

### Bigger Benefits for Farmers

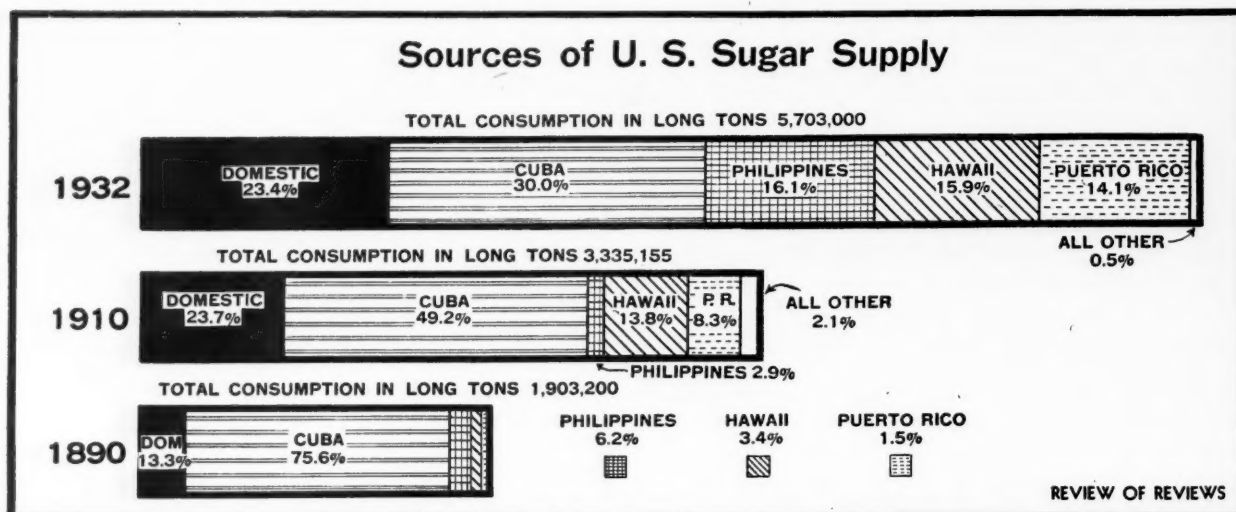
This all refers to measures that have already had limited actual application. Certain extensions of these have already been formulated. The Department of Agriculture estimates that 1934 will see the distribution of not less than a billion dollars in additional benefit payments to the American farmer. This distribution will naturally be confined to farmers who cooperate with the Government in its attempt to control crop production. This is in the nature of a reward with no element of compulsion. Limited experience during the past year shows that this in itself is not sufficient to insure desired crop curtailment. Thousands of farmers not in a position to secure benefit payments have expanded acreage in controlled crops, in order to benefit from anticipated higher prices resulting from the Government's campaign. To the extent that these free-lancing farmers entered the picture with outside acreage, a realization of the Government's program will be retarded.

To check this, the Department of Agriculture with the support of the President has formulated a plan for compulsory acreage control. A bill has already been reported by the Senate Agricultural Committee applying this plan to cotton. It limits total output to 9 million bales, and provides a surplus crop tax of 12 cents a pound on all cotton above this quota. The 9 million bales will be allotted to farmers who have signed production agreements, and will be in proportion to their past production. Thus, if any signatory farmer decides to invest in additional fertilizer, or some farmer not eligible for benefits brings in acreage never before planted to cotton, he will find himself confronted with a tax of 12 cents a pound. Since the maximum intended price of cotton will be 15 cents a pound, this leaves a scant margin for the roving cotton farmer to gamble for. The same system may be applied to other crops.

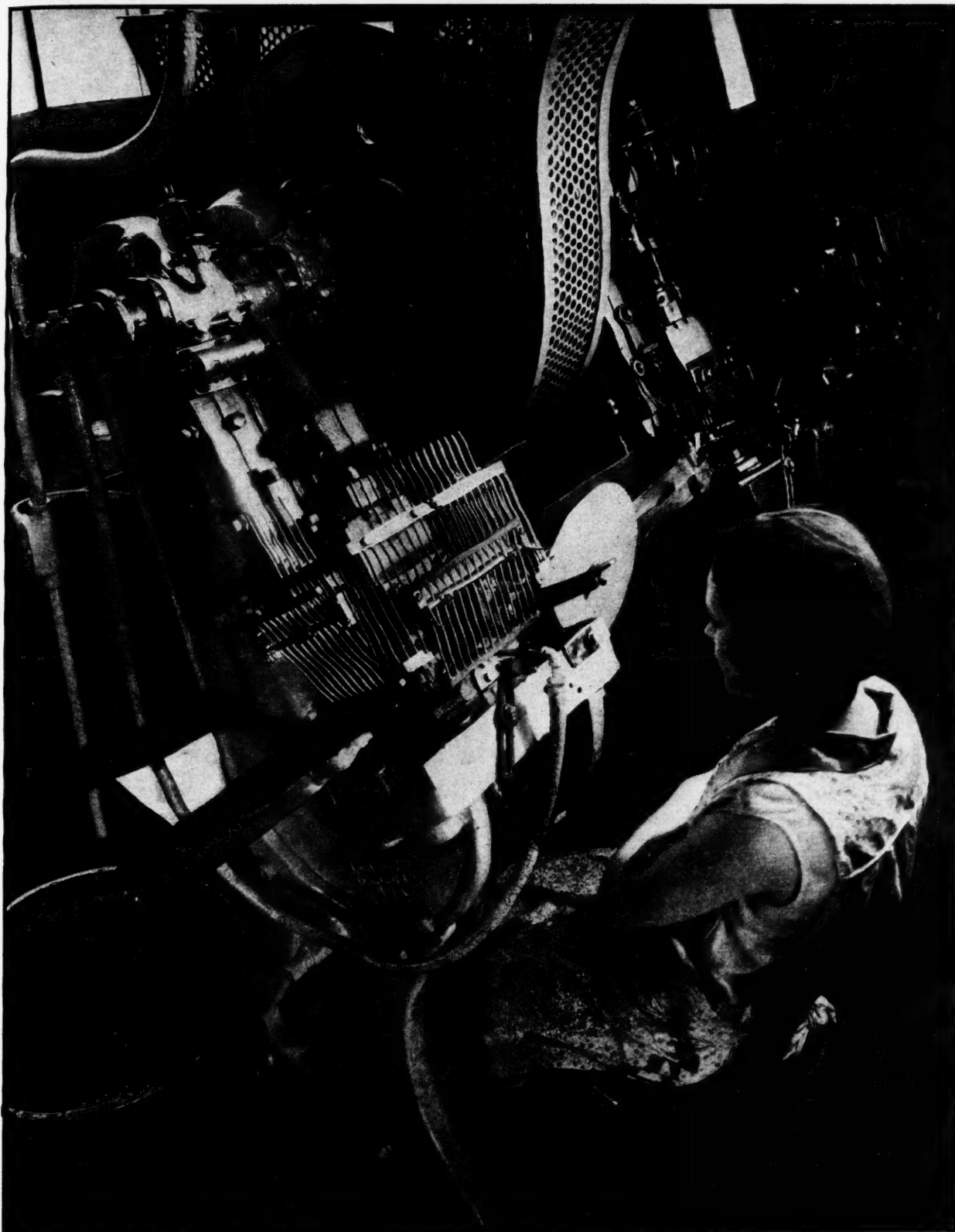
### Reversing the New Deal for Sugar

**S**UGAR IS ONE CROP in which the President seems to have displayed less than his usual solicitude for the American producer. This applies not only to the grower but to the refiner. In a message to Congress on February 8, the President proposed that sugar be placed on the basic commodity list, and that the Secretary of Agriculture be given complete control over the industry. The legislation includes a processing tax of less than half a cent a pound, as well as a set of preliminary and final quotas covering the production of beet and cane sugar in the United States and in Cuba, Porto Rico, Philippines, Hawaii, and the Virgin Islands. It is a fair statement that the economic philosophy of the Administration is nationalistic rather than internationalistic. In other words, wherever possible domestic industry has been favored, and the home market protected for it. This has followed naturally from the industrial codes which raised the costs of American producers, and would in the absence of special protection have aggravated the competition of foreign producers. In fact, it may be stated categorically that a necessary corollary of the NRA is complete protection for the home producer. This principle has not been observed in the sugar proposals of the President.

In determining preliminary quotas for the various producers who supply the American sugar market, it is noted that they bear down (Continued on page 54)







Photograph by Rittase, courtesy New Jersey Zinc Co.

**PAYROLLS** in our manufacturing industries show a gain of 32.1 per cent for December, 1933, over December, 1932. The payrolls for the whole year, however, were only 5.8 per cent greater than in 1932, and failed by 28.4 per cent to reach the totals of 1931. The photograph above shows a stamping operation on electrical equipment in the plant of the Allen-Bradley Company at Milwaukee, Wisconsin.

# Can the New Deal Succeed?

WASHINGTON POLICIES ARE FULLY CONSISTENT WITH LONG-TIME BUSINESS PROSPERITY

By JOSEPH STAGG LAWRENCE

**M**ANY THINKING CITIZENS, particularly in that great group comprehended in the term business men, dread the long-time implications of the New Deal. They have been raised in a philosophical atmosphere, and nourished on a preceptual diet which tells them that the recovery measures of the Administration are but a state of sweet anæsthesia bridging the convalescence (?) of 1930-1932 and the chronic headache of a period beginning, let us say, with the year 1936. Several thousand hearty old gentlemen could be found who believe that the end of the headache period would coincide with the election of a sound Republican President and a return to first principles. It is assumed that the New Deal by that time will have become such a grievous evil as to provide its own cure.

## Conservative Apprehensions

The conservative lament consists of a number of elegiac movements which may briefly be stated as follows:

1. The Government is flouting natural law. It is trying to fix prices when all history shows that prices cannot be fixed. It is forcing supply and demand to turn somersaults and jump through flaming hoops. This may be all right for a short time but it cannot last long. Again the business of referring to the record.

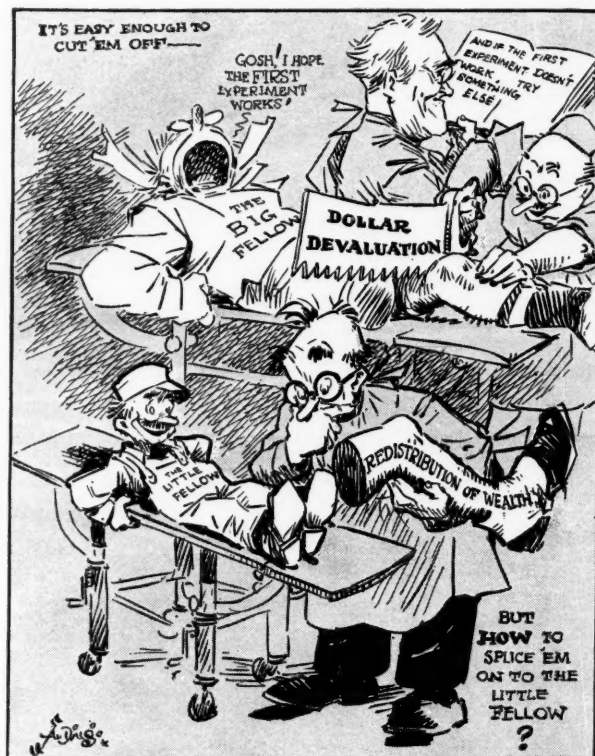
2. Government has no business in Business. The state has touched no enterprise which did not at once develop a chronic need for red ink. Business success requires initiative, courage, and intelligence.

3. The Government is depriving management of its discretion. Management must be free to experiment with new combinations of markets, materials, labor, capital, locations, products, and merchandising. If it is embalmed in a mass of inflexible rules, administered by routine-habituated bureaucrats, progress will cease.

4. The profit motive is branded as unsocial. If the Government continues its present course it will be equally difficult to make or retain money. Inflation may be regarded as a general assault upon all accumulation. Corporation, income, and inheritance taxes discourage the profit-making process.

5. The next step will be the socialization (another term for confiscation) of all wealth.

Many of our corporation reports for the calendar year just ended are curious documents, in that they hail the revival of earnings and at the same time assail the system of government under which this apparently welcome change occurred. Bethlehem Steel and duPont



By Darling, in the New York Herald Tribune ©

THE FIRST PART IS EASY

are notable examples. The inconsistency is a tribute to the sincerity of the protest. Let us examine the five counts in the conservative indictment.

## Faith in Natural Economic Laws

One of the conspicuous heritages of the *laissez faire* era is the conviction of the business man that certain natural laws operate in the field of economics, that these are immutable, that it is as dangerous for the state to tamper with them as it is futile. "You cannot alter the law of supply and demand." How many arguments have been concluded by this categorical observation!

The faith in such a body of laws owes its sanction largely to the teachings of our classic economists. Adam Smith, a keen objective student, dipped his pen in a solution of logic and satire and proceeded to demolish the economics of regulation by government. The long annals of English history presented him a conclusive laboratory demonstration of the fallacy of social control. During the Middle Ages a strange combination of church and state, labeled medievalism, denied private property in land. It applied the concept of a just price. It stigmatized, as usury, capital's claim to income in the form of interest. It demanded honest wares to protect

consumers. The Statutes of Laborers and later the Elizabethan Law of Apprenticeship established machinery for the enforcement of fair wages.

### A Giant Cycle of History

The mere enumeration of these phases of regulation suggests the possibility that we are rounding a giant cycle of history, and are preparing to repeat what the Middle Ages practised for centuries. The right of eminent domain recently applied to gold, the restrictions upon the use of property, the heavy death duties, all limit the privileges of ownership. The notion of a just price—just to producers as well as to consumers—is evident in many of the codes, notably those for oil and retail food stores. The entire AAA is dedicated to the assurance of a just price for farm products. The right of passive capital to a prior claim upon income is challenged by Labor and by the left wing of the New Deal. The discrimination against income from investments in the tax bill as presented to the House by its Ways and Means Committee, expresses a growing prejudice which is not unlike the attitude of the medieval church toward interest.

Wage minima and the elimination of child labor are strikingly reminiscent of labor custom and labor law which prevailed during more than 600 years of English history. Official indignation against the abuses of the money changers, the rule of *caveat vendor*, again suggest the renaissance of business ethics which the church of the dark (?) ages enforced. Labor was the source of all value. This placed a limit upon the possible total of wealth which one man could accumulate. Whoever had more became at once suspect. Even though he succeeded in evading the vigilance of his neighbors and his church, he would be held accountable in the hereafter.

### Adam Smith Applies Natural Law to Business

Although the various tenets of this code changed with time, the central principle—i.e., exacting control of all phases of economic life by the state—remained until the reaction, heralded rather than launched by Adam Smith, swept it away and established complete individual freedom as a contrary principle. Smith merely articulated the sentiment of the age in the field of



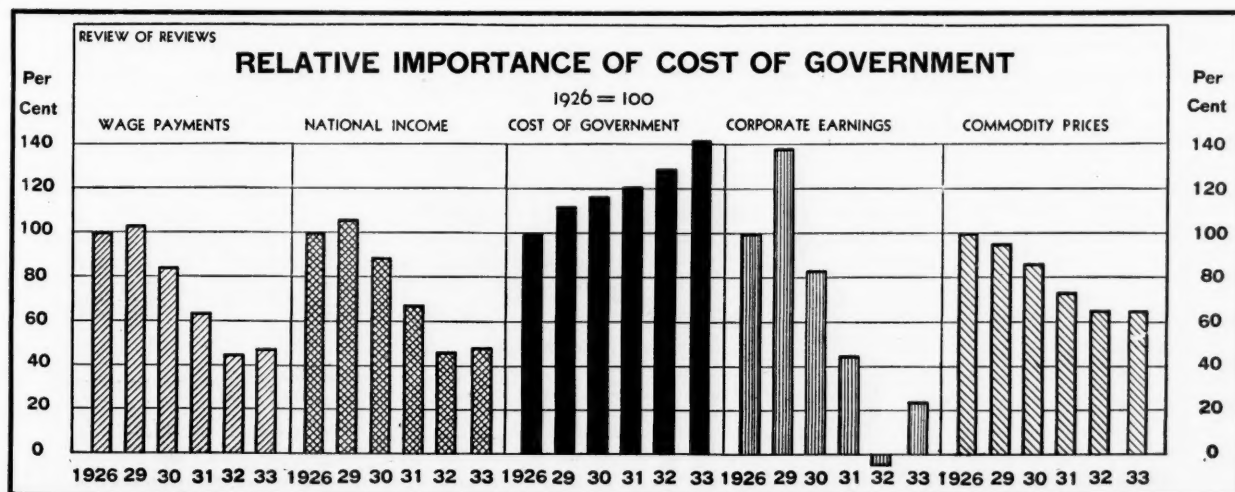
By Talburt, in the New York World-Telegram

ANOTHER PUBLIC WORKS PROGRAM THAT SHOULDN'T BE DELAYED

economics. He was not a prophet with a super torch. His theory of natural law finds its exact counterpart in the political philosophy of the day which preached a return to the state of nature. Hobbes, Locke, and Rousseau all had the same idea. Smith applied it to economics. His theme was the natural production of wealth. Malthus developed the natural causes of poverty, Ricardo the natural factors of distribution.

### Effects of Unnatural Interference

Smith examined England's prosperity. He noted the absence of the internal restraints upon trade which were the bane of commerce on the Continent. Therefore he concluded that free trade was the answer. His argu-





ment greatly influenced Colbert in France and Stein in Prussia. He was able to point to the atrophic effect of trade interference. Ireland was the horrible example. After the Cromwellian settlement cattle-raising prospered on the island. The surplus was exported to England. In order to pacify the landed gentry the importation of Irish livestock, meat, and dairy products was prohibited. Cattle farming became unprofitable and the Irish turned to sheep farming. In 1699 a law was passed confining the export of raw wool to the English market, and imposing a prohibitive duty on Irish woolen manufactures. Smith placed Irish poverty at the door of English "unnatural" interference.

### When Conservatives Were Radical

Like every other reformer, Smith accumulated a devastating bill of defects against the existing system before launching his own formula. If the ills of the day were due to excessive government in business (social control to us) then it followed that the cure was to be found in the elimination of government from business. That is where Smith *a priori* logic started to work. What would happen if the state control of business were removed?

Each man would follow his own interest. This he could do for himself more competently than the state. Left to himself he would produce the greatest amount of goods at the lowest possible cost, since that was the best way to outstrip his competitors. This part of Smith's New Deal was pure armchair stuff, but it was the essence of *laissez faire*. In his day it was extreme left wing doctrine and made the conservative landowners shudder. The latter believed the Corn Laws, an earlier model of the Agricultural Adjustment Act, to be the very rock upon which English welfare rested. The radicals had the effrontery to demand their repeal and finally succeeded in 1846.

### Blue Prints of Early Brain-Trusters

Now natural law is enthroned in England. What the early brain-trusters expected from this removal of governmental shackles may be judged by a passage in Malthus' Essay on Population: "By making the passion of self-love beyond comparison stronger than the passion of benevolence, the more ignorant are led to pursue the general happiness, an end which they would have totally failed to attain if the moving principles of their conduct had been benevolence. Benevolence, indeed, as the great and constant source of action, would require the most perfect knowledge of causes and effects, and therefore can only be the attribute of the Deity. In a being so short-sighted as man it would lead to the grossest errors, and soon transform the fair and cultivated soil of human society into a dreary scene of want and confusion."

So wrote Malthus, political economist extraordinary, 1798.

### Self-Interest as a Guide to Conduct

This theory of self-help, complete individual freedom, the repudiation of organized or state benevolence—in fact, all that is comprehended in the term *laissez faire*—demanded restraints before it was fully born. The pursuit of self-interest was not an assurance of national prosperity. The abuses of freedom were so appalling that immediate checks were necessary.

The degree to which some individuals pushed the admirable "passion of self-love" is indicated by the limitations upon this passion which were included in a child labor act passed as early as 1802. Manufacturers had adopted the practice of taking large numbers of children from poorhouses and employing them as "apprentices" in return for their keep. It was a form of juvenile slavery. This early act, applying only to "Bound Children in Cotton Factories", prohibited the contracting of children under nine years of age, limited the day to twelve actual working hours, prohibited night labor, and compelled the employer to furnish each child with at least one suit of new clothes each year.

Conditions in the mines seem scarcely credible, where girls of six to eight were used to haul fifty-pound buckets of coal on their backs up steep ladders all day long, and their half-naked mothers served even more nobly as beasts of burden.

### Shackles for Laissez Faire Necessary From Beginning

Long before *laissez faire* became the mature practical precept of the nation, it was found necessary—for humane reasons—to restrain its utterly animal ruthlessness. It was discovered that natural laws in the field of business were merely jungle laws, that competition was but the struggle for existence. All civilization has been an attempt to curb nature, to sheath its rending claws, and to make men in their relations with each other less like wolves and more like the nobler ideals of religion and chivalry. Since Peel's first factory act in 1802, Anglo-Saxon annals have been the record of a struggle between the ethical susceptibilities of the community and the brutal application of "natural economic laws".

If we regard the New Deal in this light it is not new at all, but merely the full blossom of a finer repugnance against the license of catch-as-catch-can business. Each legislative landmark in the field of government regulation or "interference" has been the result of abuses so grave that our lawmakers have been forced to swallow their prepossessions in favor of freedom and apply some measure of restraint.

### Natural Law in Early American Banking

The National Banking Act of 1863 is a clear outgrowth of an extended—too extended—experiment in *laissez faire* in banking. With as many different kinds of currency as there



By Bishop, in the St. Louis Star-Times

OGDEN MILLS: "ALL ABOARD FOR 1936"

were banks, with no other check upon the knaves who used the right of note issue to fleece their communities than the "passion of self-love", something had to be done to protect the public. When we come to the Interstate Commerce Act of 1887 and the Sherman Anti-Trust Law of 1890, we are confronted by the same problem. The sinister flowers of the wolf-eat-wolf theory of economics, as applied to transportation and big business, were too ugly for even a slightly informed public to tolerate. Muzzles were necessary to enclose the fangs of our rugged individualists.

### Recent Experience with Self-Interest

The revelations of financial chicanery and unbridled avarice in the great white temple of finance before a Senate investigating committee; sweat-shop oppression of helpless workers; the chaos and despair which the beneficent principle of competition had brought to such industries as oil and agriculture, all made it imperative—for political reasons, if for no other—for the Government to step in and do something about it. The "forgotten man" in this land, after all, wields the political power.

The revolution through which we are now passing is in no sense an attempt to raze the existing structure, to replace it with a new organization built on Marxist specifications. Isolated items, such as the Government's power projects, may suggest a transformation of that character; but they are not truly representative of the New Deal method or purpose.

### Supply and Demand Vs. Government Regulation

Before proceeding with an interpretation of the New Deal purpose, it is necessary to treat another aspect of conservative apprehension—i.e., that the Government cannot regulate supply and demand, that it cannot enter business without foreordained failure. The proposition is buttressed by numerous striking recent examples: the Stevenson plan of rubber control, the Brazilian attempt to regulate the supply of coffee, the Chadbourne scheme of sugar restraint, our own Farm Board experiment, and even plans under exclusively private auspices such as copper. All these have one singular aspect which seems to have escaped comment: They undertake to control supply and price for the entire globe.

### Cause of Control Failure

As long as the world is on an international basis the effort to restrain or correlate production is doomed, principally because it is too ambitious. During the Middle Ages the control of supply, demand, and prices in limited, self-contained areas was reasonably effective. For more than 200 years the city of London purchased wheat in periods of plenty and sold it in periods of scarcity. The great commercial cities of the Continent



By Evans, in the Columbus (Ohio) Dispatch  
AFTER ALL, HE CAN'T KILL THE GOOSE  
The New Deal does not disturb the profit system.

did likewise, not for five or ten years but for centuries. For the past fifteen years a vast experiment in control has been taking place in Soviet Russia. Much fault may be found with it. But then somebody has already pointed out that capitalism itself during the same period has not been flawless.

### Internal Revenue Returns Show Business Acumen

The conceit of private business, the conviction that it has a monopoly of all the virtues needed for success, simply begs reproof. Entirely aside from any personal impressions regarding the scintillant acumen of the average business man, the records of corporate returns

of the U. S. Bureau of Internal Revenue are as eloquent as they are unflattering. During the five-year period from 1925 to 1929, in which conditions were certainly favorable to private enterprise, a little better than one-half of all reporting corporations—55.5 per cent, to be precise—were able to show net returns in black. Nearly half operated at a loss or without profit.

It is true that our political leaders, under democratic processes of selection, are not always our ablest citizens. On the other hand, anyone who supposes that business leadership is chosen on a basis of pure merit suffers from an incomplete education. By and large it is probably true that business leadership is more competent, for its purpose, than political leadership. Nevertheless, the notion that the Government cannot touch business without giving it at once a fatal case of deficit palsy betrays a misunderstanding of the nature of that touch and, secondly, superb conceit.

### Business as the Sport of Life

The action and the apparently revolutionary character of the New Deal may best be understood if we employ analogy. Let us consider business as the sport of life, in which individuals and groups seek the golden grain of pecuniary success. The advocates of natural law in economics—i.e., our classical economists—maintained that the game would flourish best if no rules were imposed, no boundaries were established for the field of play, and no officials were on hand. Football was once played under such conditions. Biting, gouging, strangling—anything went which would help the home cause and retard the opposition. Contests lasted for days. Injuries were numerous and serious. Knavery rather than skill determined the outcome of the play.

### Improving the Play

Gradually rules were established. Fields of play were outlined, time limits created, and officials appointed to supervise the play. Eventually fair tactics were defined and foul play was outlawed. Penalties were prescribed and applied. The game, though no longer played under nature's auspices alone, was improved. It became a



magnificent sport for players and a gorgeous spectacle for the crowd. Be it noted that the players still called the signals, applied the strategy, and carried the ball. The officials, very much in evidence, did not participate in the actual play. Their position was passive. They merely enforced the football code, the conditions under which both sides were compelled to play the game.

### Abuses of Free Play Demand Rules

Something of the kind has been happening to business during the last century. The abuses of free play in business were so great that rules had to be established. Our National Banking Act established certain conditions under which banking after the Civil War was compelled to operate. These conditions related to capital, reserves, the character of assets, and the limits within which loans could be made. But the loans, one of the two fundamental functions of banking, were still made by the bankers. The solicitation and acceptance of deposits, the other major function of banking, were still made by the bankers. The Federal Reserve Act of 1913 continues the same philosophy of regulation. The field of play is changed, the rules are refined, but the positive function of carrying the ball, of exercising judgment and initiative, is still the exclusive task of the banker as a private business man.

### Bankers and Peanuts

The experience of the past decade seems to show that the banker became too ambitious. In addition to playing football, he tried to sell the crowd playing equipment, check their valuables, take their bets, and distribute pop, peanuts, and hot dogs during the game. When the rules committee met in Washington last spring, it was decided that the banker had taken on too much, that his game was suffering, that the banker himself and certainly the dear old U. S. for whom he was playing, not to mention the cash customers in the stands, would be much better off if he confined himself to football in the future.

Furthermore, the rules committee, having in mind a number of cases where the game was rigged in advance and the paying customers defrauded, decided that the players would have to post bond in the form of insurance for deposits so that the fans could get their admissions back if the game proved a failure. The bankers do not like this. They intimate that their inalienable prerogatives have been invaded and that the public in the end will suffer from poorer performances. The rules committee at Washington, however, remains unconvinced and even adamant.

### New Deal a Body of Rules to Improve Game

The analogy, it is clear, may be extended. The point to be made is that the New Deal has not encroached (with one exception) upon the two vital contributions of individualistic philosophy to business progress: The first is that business management, to be successful, must have the greatest freedom on the positive side consistent with fair play; the second is that the most effective stimulant to private effort and initiative is the promise of material reward.

The limitations in the codes and in Washington policy may all be classed as further refinements of the re-

straints which business has clearly shown to be necessary. They tell the business man what he may not do. He cannot use his elbows. He cannot wear metal spikes. He cannot kick his opponent in the ribs, etc., etc. Consider the following nine distinct tabus imposed by various phases of the New Deal:

1. Limitation of market areas. Alcoholic import quotas and the control of foreign exchange are both examples of interference with the freedom of market selection.

2. The cotton textile and alcohol industries are both confined to present capacity in order to relieve or avoid future competitive pressure.

3. Limitation of output, as in oil and agriculture, designed to give the producer a fair return.

4. Upper and lower price limits, as in the retail food codes, to assure minimum return to storekeeper and prevent consumer gouging.

5. Interlocking directorates, to prevent men in responsible positions from serving two masters at the same time.

6. The limit on salaries for movie stars, railroad and bank executives, to prevent milking an enterprise from within by managements at the expense of the buck privates in the lower ranks and the owners on the outside.

7. A lower limit on wages and hours, to protect the worker and make it tough for managements which cannot survive except at the expense of labor.

8. Warranty of quality and true description, as provided in the Tugwell bill that is now before Congress—and application of the medieval principle that the seller must beware.

9. Trade practices. Under this heading each code contains a decalogue of competitive sins, such as defamation of competitors, fictitious invoicing, espionage, commercial bribery, interference with contractual relations, secret rebates, threats of litigation, etc. These and some other less gentle devices have been used to promote that "passion of self-love" which Malthus so frankly extolled.

### New Deal Leaves Management Ample Latitude

The preceding comment may be regarded as an approval of the New Deal, at least as a sympathetic interpretation. It is not so intended. Rather it is a warning to the conservatives that many of the apparently revolutionary aspects of the New Deal are in reality not revolutionary at all but merely a revival of old restraints which the last century and a half of *laissez faire* show are necessary. The idea of an inexorable natural law in the field of business is not sustained by the record. The Government has left management ample latitude for the exercise of discretion. Profits have not been outlawed. Though upper limits have been placed on prices, and in certain fields on salaries, none have been placed on the profits which management may earn nor on the income which an individual may receive. With the exception of gold no form of wealth has been socialized.

The point to be made is that the New Deal, theoretically and in the light of history, can succeed. What may cause its failure? How can business assure itself the maximum of managerial discretion and the minimum of governmental regulation? These questions will be answered in a subsequent article.





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COL. CARL L. RISTINE, in the center, has been named by Attorney General Cummings, at the left, as special assistant to "clean house" on air and ocean mail contracts. Senator Black, at the right, as chairman, is conducting the Senate committee hearings.

# The Influence Racket at Washington

By RAYMOND CLAPPER

**S**HOULD THE New Deal go over, we will have to scrub up our politicians; or maybe get new ones. There is no place in the New Politics at Washington for the familiar kind of racketeering officeholder who has made it almost libelous nowadays to call a man a politician.

The reason is that almost in a twinkling we have changed from a government of laws into a government of men. Into the hands of men at Washington has been given the power of economic life and death over individuals throughout the land. Washington officials tell the New England cotton mill owner whether he can put in new looms. They tell the Texas oil man how much he shall charge for gasoline. They tell the stage electrician in Hollywood how many hours a day he shall work, and they tell his boss what wages to pay. The storekeeper in Topeka is told how much margin he shall add to his wholesale costs when he sells a can of beans. The Administration has endorsed legislation which will compel the cotton farmer to grow only a fixed amount decided upon at Washington. A young 42-year-old gentleman farmer, who happens to be Secretary of the Treasury, has been given \$2,000,000,000 with which to trade secretly in foreign exchange, and he need render no account until President Roosevelt's first term expires. Administration committees have recommended setting up federal boards with wide discretionary powers over telephones, telegraphs, and radio systems, and over the stock exchanges. Ultimately government ownership and operation of the railroads is envisaged.

Imagine all this in the hands of the "Ohio gang" of a dozen years ago! Imagine it in the hands of almost any crowd of local politicians—the kind that infest city halls, county courthouses, and state legislatures. Yet those are the training schools of national politics.

Popular faith in the sincerity and disinterestedness of Mr. Roosevelt, and of most of the men around him, has obscured one of the most important implications of the New Deal—the fact that the almost incredible power and discretion which have been vested in the executive branch make it absolutely imperative, for future safety, that standards of political conduct and ethics be raised. Some may have doubts about the wisdom of the Roosevelt policies, though nobody doubts the courage, independence, and honesty of men like Ickes, Wallace, and Harry Hopkins. But imagine another type of "statesman" being in command of \$3,300,000,000 of Public Works money, to be passed out in accord with his own sweet will; there would not be enough black bags in the luggage shops to supply the demand. Consider the graft in CWA, and then think what might have happened without such a fearless and hard-boiled man as Harry Hopkins at the top.

When these men go and their powers remain, what will happen? And many of their powers will remain. Furthermore, while the Roosevelt Administration is sure of three years more, it is not too early to be training the understudies.

It is a generally accurate observation that the key men now in control at Washington are exceptional in



MANY Congressional committees in Washington are now investigating irregularities in many fields. Gen. William Mitchell, retired, is shown above testifying before the House Military Affairs Committee regarding excess profits on Army airplane contracts.

politics. They have not reached human perfection; but they average higher in intelligence, ability, knowledge, and singleness of purpose than the general run of men who set the tone in politics.

Private business has shown that human nature, even in high places, is notably weak. We have just witnessed a depressing parade of men who were among the country's leading bankers. Business has its racketeers, its interlocking directorates, its insiders selling short in their own stock, its cut-throats, its exploiters building houses of cards and selling them for hard-earned savings of thousands of investors.

But politics likewise has its grafters who shake down huge legal fees because they have buddies in the Cabinet. It has its insiders who are silent partners in secret market speculation. It has its cut-throats who drive good men out of office by demagogic appeals. It has its exploiters who dish out millions of dollars in subsidies, favoring business friends with taxpayers' money. That famous old grassroots cynic, the late Senator John J. Ingalls of Kansas, once said: "Purity in politics is an iridescent dream." Politicians always have recognized what they call "honest graft" as an entirely ethical imposition on the taxpayers.

It takes no long memory to reel off a picture of what has been the accepted thing in politics. You can open the book of inside history at Washington at any chapter, Republican or Democratic, post-war or pre-war, prohibition era or pre-Volstead, and the story is spread on every page.

**T**HERE IS the former Cabinet officer, with discretion to let ocean-mail contracts running into millions. He is charged with operating a secret stock-market account with an outside partner involving more than \$1,000,000. Shipping company shares were in the lot. His partner represented a concern which sought contracts of the Government. When the partner died he left a large part of his estate to the Cabinet officer.

Another member of one of the appropriations committees, a poor country lawyer who had spent forty years in Congress, died in the home of a shipping man and left a fortune of half a million dollars. A Senator

died leaving several hundred thousand dollars in cash in his safe-deposit box in Washington—long before banks began to crash.

A prominent Democratic politician, representing clients in Washington, takes opportunity even at a White House dinner to whisper to a prominent federal official a good word for his client who wants to sell the Government a large order of blankets. Another one employs a leg man who threatens the Governor of a state with reprisals unless he recommends projects in which the politician's friends are interested. Still another obtains a federal appointment for an old law friend and then brings clients before him. A politician drawing \$10,000 a year as a trustee, recommended by the Department of Justice, has done exactly nothing in nearly nine months. The Home Owners Loan Corporation throws out a state director because in passing out money to save mortgaged home-owners from eviction he took orders from his state political boss.

There is the Democratic politician who, though not a lawyer, undertook to obtain a pardon for an alleged dope peddler. Another one, intimate with high officials of the Department of Justice, obtained a pardon for a prominent Republican though he never touched any of the papers in the case—merely being engaged to "advise" the defendant.

A Senator's law firm is engaged to represent a notorious racketeer, before a judge whom the Senator had supported for confirmation. A shipping man, enjoying favors from the Government, ships twenty-four head of fancy cattle to the father-in-law of an official who passed on his business transactions with the U. S. Shipping Board. Later, it is said, he gave the official more than \$5,000 to pay off a ranch mortgage. He deeded parcels of Florida real estate to the secretary of a Government official with whom he had business relations. One shipping official, drawing a subsidy from the Government, entertained in Washington with meals costing \$75 a day and "entertainment" \$120.

**W**ASHINGTON is the Easy Money paradise. Senators and Congressmen—a hundred or more—were found recently to be carrying wives, children, uncles, fathers, cousins, and in-laws on the Congressional payroll as clerks, often without any work being done for the money. Many of the alleged clerks were not even living in Washington. Senators have drawn as much as \$1,300 in mileage for mythical trips home which they never took. The same attitude permeates many government departments. The business executive who goes junketing to conventions, where he spends his nights in night clubs and his days sleeping, has his counterpart in the junketing committees of Congress who have been known to treat themselves to extensive fishing trips, charging up to the Government fishing licenses, bait, and bicarbonate of soda that was required the morning after.

All this creates a state of mind in Washington. If a municipal statue is ever erected to depict the spirit of the national capital it will show a hungry-eyed figure bending over a well-filled trough with both hands greedily extended.

When Republicans were in office, some of their National Committee members were in Washington most of the time representing clients before the income tax office, the Shipping Board, and other agencies where

there was heavy sugar in the bowl. One of them was drawing handsome sums for secret lobbying. Another, who spent much time around the White House, accepted large fees to pull slow-moving contracts out of the red tape. Two officials resigned jobs second in importance only to cabinet posts to join concerns having extensive business relations with the Government offices they had been holding.

These cases do not come under the criminal code. They all can be classed as "honest graft"—what southern housemaids in Washington call "totens", tidbits which by custom they carry out the back door. Seldom are these things done with any consciousness of moral turpitude. They have been the accepted thing. Everyone who knows anything about a city hall, a county courthouse, a state capitol, can supply his own words and music to round out these Tales of the Wayward Ins.

President Roosevelt recently stepped in to sweep this same sort of thing from his own Democratic doorstep. He recognized the danger of abuse arising out of the vast discretionary powers handed over to his subordinate executives. Although he had gathered around him a group of associates who were striving earnestly at a health-wrecking pace to do the job in hand, he became aware of a circle of shadowy figures moving about the fringes. Several of these he recognized as prominent Democratic politicians. Some were members of the Democratic National Committee. Stories aplenty were brought to him. His own officials came with complaints. Politicians were trying to use them; and the officials were certain that alleged back-door influence was being sold.

**C**OMPLAINTS were lodged against old political supporters of President Roosevelt. They had helped him win the nomination. They had assisted in his election. He knew some of them intimately. They were frequently White House guests. Several had opened law offices in Washington about the time the new Administration came in. They had prospered quickly. One refused a high federal appointment because he wanted to make a financial clean-up. Another entertained in a style to which he had not been accustomed. His guest lists read like a directory of official Washington. One year ago he landed in the capital a poor man. He is wealthy now. Private citizens with much at stake in Washington, business firms looking for Public Works contracts, and others, were given to understand that they could be more certain of results if they hired certain Democratic attorneys to represent them. All of this in the face of warnings from men like Ickes, that there was no inside track to a Public Works contract. Ickes threw one of these self-appointed political falcons out of his office. But hard-headed business men, who are so often easy marks when a Washington lobbyist approaches them, continued to pay fat fees.

It was this general situation that President Roosevelt sought to smash when he declared that no member of the Democratic National Committee should practise law in Washington in a way that implied back-door influence. He set out to divorce, as much as possible, the operation of the Government from the wire-pulling of politicians.

President Roosevelt has seen that there can be no monkey business about the New Deal or it will be wrecked from within. How long would the business

man submit to dictation by NRA if he had no confidence in the honesty and sincerity of General Johnson? Business may question his judgment on specific issues, but that is entirely different from fatal doubt of the man himself.

Traditionally American government has been built upon distrust of the individual. We have called it a government of laws. The theory has been that men could not be trusted, but that if enough laws were passed, prescribing just what could be done, this would automatically insure good government. The Founding Fathers set up Congress and the President as checks against each other. They set up the House and Senate as checks against harebrained action by one or the other. Over it all they set up the Supreme Court as a check on both Legislative and Executive branches. Then they ran out of checks and had none left to use on the Supreme Court. So after all, the fate of the nation had to be left in the hands of nine men who were responsible to nobody but themselves.

**C**ONDITIONS have now caused unprecedented discretionary powers to be centered in executive hands at Washington. Checks and balances have been dispensed with. Laws have become general grants of power—blank checks to be filled in by the Executive branch of the government.

At first thought it seems to be overloading human nature, giving politicians more rope than is safe. But the answer is that in other fields of activity human nature has shown itself capable of assuming great tasks. A people who can invent and organize a thing like radio, who can operate 20,000,000 automobiles and not leave the city streets jammed with wreckage, who can devise and manage the astounding physical facilities necessary in a human beehive like New York City where constant maintenance of subways, sewage disposal, lights, and water supply is imperative, surely can conduct its political life more effectively.

While the country's brains have been turned to business and to the invention and establishment of physical machines, stupidity and cupidity have been left to rule—like a pair of gold-dust twins—in politics and war.



ONE of a long procession of witnesses appearing before the Senate committee investigating airmail contracts. John Orgill, law partner of a former Republican committeeman of Ohio, is testifying.



● AROUSED citizens have applied new principles to correct a hopeless tax muddle. Meanwhile an example of public service by individuals has been set for taxpayers and real estate owners elsewhere.

# CHICAGO

## Prescribes for the Taxpayer

By WILLIAM A. DYCHE

**C**HICAGO'S TAX STRIKE is over. It has collapsed. In 1933 the legislature of Illinois passed the Kerner-Skarda Act, which provides a novel legal device for the collection of delinquent taxes. This act has attracted widespread attention. It empowers the County Court to appoint the County Treasurer as receiver for properties in arrears in taxes; it authorizes him to administer the properties and apply any income from them to the payment of the back taxes. Under this act hundreds of thousands of dollars of past due taxes are being collected. Often the payment of these taxes, by court order, is extended over a number of years, interest being charged on the deferred payments.

In the previous year, 1932, the state legislature had brought about a reorganization of the assessment machinery for Cook County. The old board of five assessors was abolished, and the Governor of the state and the President of the Board of Cook County Commissioners were authorized to appoint, jointly, a single county assessor. They appointed Mr. J. L. Jacobs, who thereupon made the most equitable assessment that Chicago has had for many years. He recognized that there has been a radical deflation in real estate values. He has had the aid of many civic bodies. One of them is known as the Joint Commission on Real Estate Valuation. Through this commission Mr. Jacobs asked Northwestern University to make a study of the actual amount of deflation in Chicago real estate values. Dr. Herbert D. Simpson, professor of public finance at Northwestern, made the study to cover the years 1928 to 1933. His report created wide interest, and Mr. Jacobs has been aided by it.

A marked reduction was made in the assessments on real estate for the taxes levied for the year 1931. On account of delay in making previous assessments, the current assessment, just completed, is the legal one for 1932. Thus, collection of taxes in Cook County is two years behind. The assessments for 1932 will be far lower than those for 1931. The following tabulation sets this forth in full:

Tax Year	Real Estate Full Cash Value	Real Estate Assessed Value
1930	\$9,348,888,022	\$3,459,088,569
1931	6,851,203,521	2,534,945,304
1932	5,169,295,242	1,912,639,242

Mr. Jacobs has also made a fairer assessment of personal property. His problem here is very difficult, owing

to the antiquated constitution of the state of Illinois.

During a recent session of the legislature a general sales tax at the rate of 2 per cent was levied. This will relieve real estate from that portion of taxes heretofore assessed on it for the state.

Some years ago a citizens' committee was formed in Chicago, of which Mr. Fred W. Sargent, president of the Chicago & Northwestern Railroad, and trustee of Northwestern University, was chairman. This committee labored with the tax-levying bodies of Cook County, its efforts being strongly backed by public opinion. It compelled them to make radical reductions in their appropriations. Decreased assessed value of property may not result in reduced taxes, for if the appropriations are excessive, the rate will be increased. The work of Mr. Sargent's committee, resulting in lower appropriations, means lower taxes.

**T**HE REDUCTIONS in taxes on real estate and the increase of taxation on personal property will reduce the burden on real estate. Heretofore it has paid about 85 per cent of all taxes. For 1932 it will pay about 61 per cent.

Thus it is to be seen that real progress has been made. But the act which authorized the Governor of Illinois and the President of the Board of Cook County Commissioners to appoint a single assessor was for a limited term only. This spring the office of County Assessor will again be filled by popular election. There is danger in this.

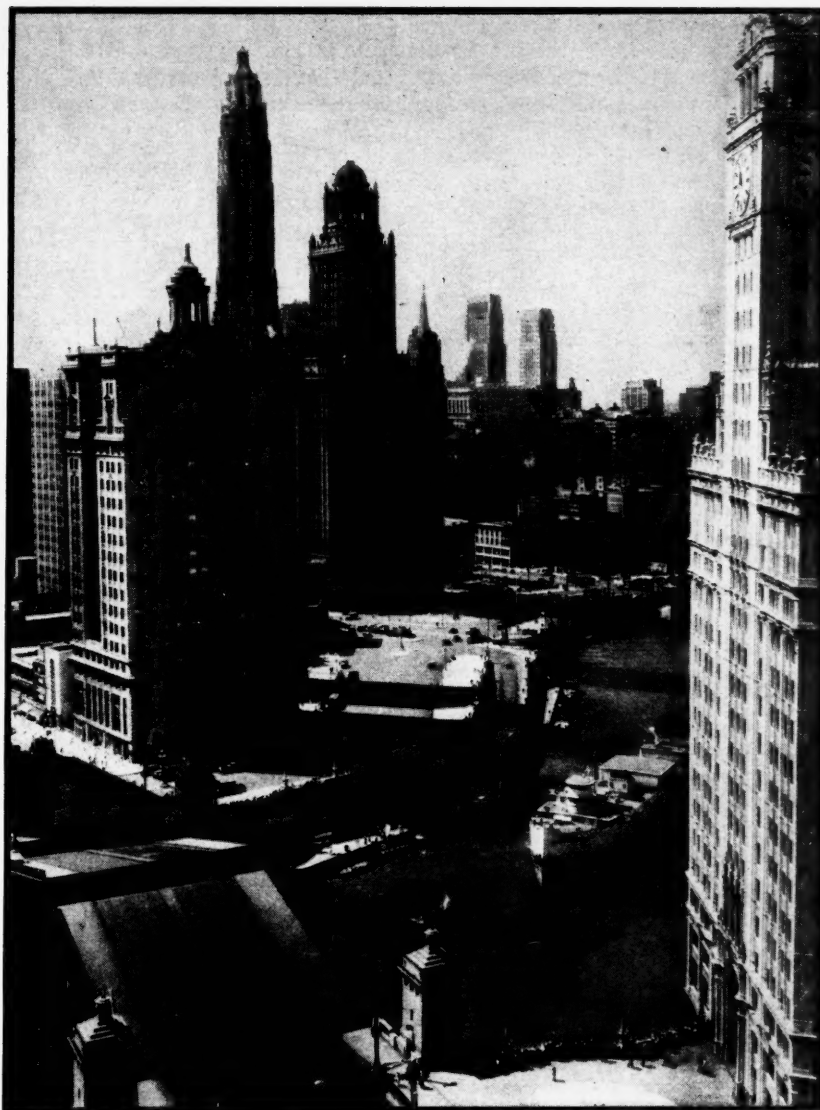
Mr. Sargent has retired as chairman of the citizens' committee, and has been succeeded by Mr. Ernest R. Graham, a man of marked ability and devoted to the interests of the public. Under his leadership this committee will undoubtedly continue its good work. It must do so, otherwise the politicians will make excessive appropriations and the old trouble will revive. The taxpayers owe much to Mr. Jacobs, Dr. Simpson, Mr. Sargent, and his committee. The reduction in real estate taxes for 1932 is record breaking and will bring relief to thousands of land owners.

Due to the fact that the collection of taxes is two years behind, and that they are being paid only in part, Cook County and its many subdivisions are confronted with unpaid bills; with bonds past maturity running into the millions; and with salaries and wages due to employees in excess of thirty million dollars.

There are special reasons for the tax muddle in Illi-

CHICAGO RIVER and the Wacker Drive skyline, with the Michigan Avenue bridge lifting to let a steamship pass on its way out to Lake Michigan. Wacker Drive, which skirts the river on the south shore, is a double-decked street.

CHICAGO taxpayers were pulled out of their tax muddle largely through the efforts of three men: Herbert D. Simpson (pictured below), professor of public finance at Northwestern University; J. L. Jacobs, Cook County tax assessor; and Fred W. Sargent, president of the Chicago & Northwestern Railway (at right).



Photograph from Ewing Galloway



nois. Its constitution provides that *all property*—not merely real estate—shall be taxed alike. The assessors have no leeway. The result is that the taxes derived from personal property, though larger under Mr. Jacobs' administration than heretofore, are comparatively small. If intangibles were taxed as real property they often would be confiscated; but if the law permitted a proper assessment they would yield a large sum and thus relieve the owner of real estate.

The need of a new constitution is imperative. The difficulty is that the rural districts are afraid of Chicago, and it therefore has been impossible to get unified action. In Virginia there is a distinct separation between the sources of taxation for the state and for the counties. This eliminates the continual contest between rural and urban districts. Some such plan is certainly worthy of consideration in Illinois.

In about a year Illinois may hold a constitutional convention. Its delegates will be elected by popular vote. The majority will probably be no better fitted for their work than the average member of the legislature is for his. The legislature of Illinois continually depends on civic bodies to frame measures on all large problems. It has no leadership. It has no full sense of its responsibilities. So I do not look forward to the constitutional convention with much hope, unless civic bodies get behind it. This tax muddle has become nation-wide, and the

causes of it are almost everywhere the same. Intelligent men and women, the great majority of them, are so intent on their own selfish interests that they forget their duty to the public. The result is that we are no longer a democracy in the true sense of the word. We are governed by politicians and pensioners. The more taxes, the more their chance for personal gain. New political districts, with power to levy taxes, are continually being created. There are no less than 420 of these in Cook County, and it is estimated that there is here a needless expense in excess of \$50,000,000 a year. In this same county there are today 155 operating police departments!

We kick about excessive taxes; yet, except in times of great emergency, *we do nothing!* We are asleep. We fail to realize that we cannot live on deficits, and that deficits create unemployment. Some way, somehow there should be a nation-wide movement to interest the great mass of our people in what is commonly called politics. A few hours a week given by many thoughtful citizens would soon make a change. Great Britain is truly a democracy. In a recent speech in Chicago, Sir Arthur Steel-Maitland, Member of Parliament, electrified his hearers when he said, "The politician in Great Britain is an honorable man, and graft there in public life is practically unknown." We must have a similar condition in the United States or there will be a change in its form of government.

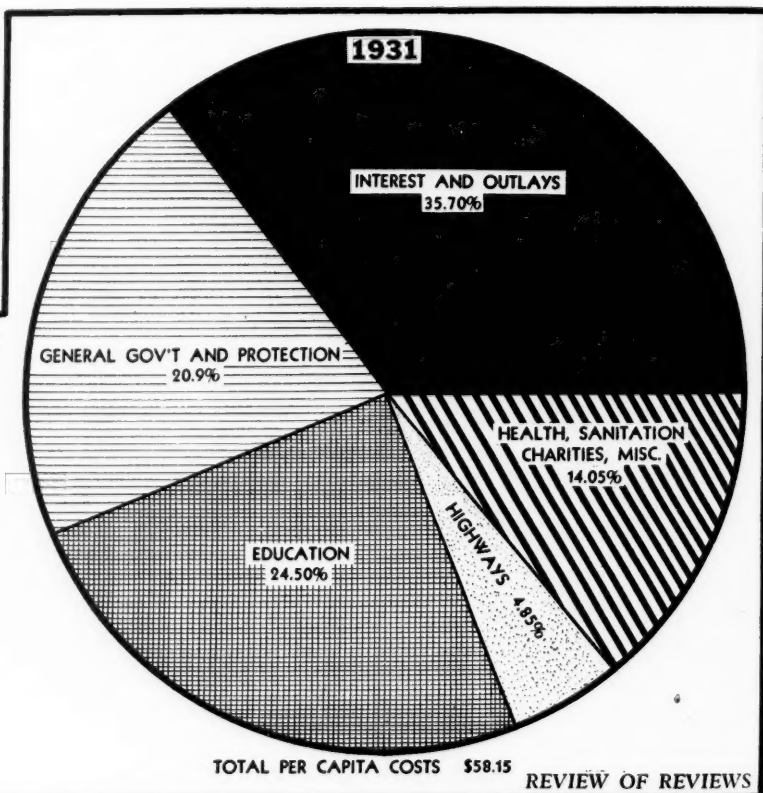
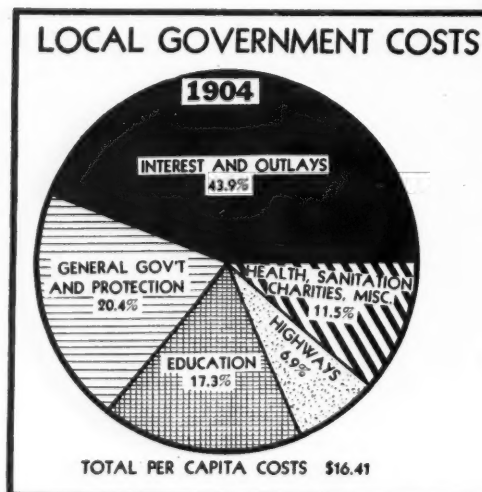
There are hopeful signs here and there. Cincinnati a few years ago was in about the same trouble as is Chicago today, but now its financial condition is almost ideal. New York City has been plunging deeper and deeper into debt; but recently its citizens, irrespective

of party, elected a new mayor. Under LaGuardia's administration, if we can judge from its praiseworthy beginnings, New York gradually will raise itself to levels of security. And frequently come reports of other communities which are balancing their budgets and setting their affairs in order.

**A** CENTURY OF PROGRESS has been a bright spot in Chicago during the dark years of the great tax muddle. In creating such an exposition in years like those, without any tax upon the city, Chicago proved that it has real leadership, indomitable will, and outstanding courage. This enterprise was backed by many, but preëminent among them all stands Rufus C. Dawes. Never during the four years of preparation did he waver. To my mind Mr. Dawes has done more for Chicago and the Mississippi Valley than any man of his generation. The exposition brought marked financial benefit, but of far greater importance is the fact that through it Chicago demonstrated to the world its *power*. We rejoice that the trustees of A Century of Progress have been widely petitioned to hold it open during the coming summer, and will do so.

The theme of this vast undertaking was a frank recognition of the dependence of industry upon science. This in itself has served to make clear the proper place of science in our social structure, and to show the need of bettering human relations in other directions. It is my hope that men like those who created A Century of Progress, and made it so truly successful, will turn their minds to public affairs. If they do this and use similar sagacity and energy, then there will come a marked change for the better in our political life.

THE CHART affords a comparison of the growth in per capita costs of municipal government over a 27-year period. The relative areas of both circles are proportional to the per capita costs in each year. The subdivision of the total costs in each instance are on a percentage basis, indicating changes in the breakdown of costs for specific purposes or services.







ST. NICHOLAS HITLER and Captain Blackamoor Goering extend to impoverished Germania a "tasty" meal of new labor laws.

From *Notenkraker* (Amsterdam)

## Germany—France—Austria!

Grave internal problems beset three key countries of Europe

By ROGER SHAW

**D**OMESTIC affairs in Germany, France, and Austria have been attracting considerable attention because of their complexity and dramatic qualities. Germany is faced by labor and army problems of moment, France has undergone extremist riots of a rather ghastly nature, and the double-eagle of little Austria has a Catholic head and a Nazi head which face in opposite directions with a vengeance. The following pages attempt to outline a transient state of flux which has been stretching from Havre on the English Channel to Hungary and the Balkans.

### Trade Unions—*Kaput!*

**G**ERMAN trade unionism is *kaput*—that is, finished. Adolf Hitler's new labor code, which will become effective on May 1, has established a novel basis for the regulation of employers and employees in all capitalistic enterprises which entail the services of twenty men or more. Many critics have hailed the new German code as the most significant achievement, to date, of the hard-hitting Nazi regime.

Labor unions and employers' associations of long standing have been abolished completely; for the Nazis believe that such organizations have tended to eliminate weaker business concerns, thereby causing widespread unemployment among the discharged workers. Strikes are prohibited, as are collective bargaining and the right of private economic organization. Employers

will fix wages and working conditions to suit their pocketbooks, in collaboration with shop councils composed of politically reliable (pro-Nazi) employees who are more than 25 years of age and who have worked at least a year with the concern. The employer, automatically, is to be chairman of the shop council in his business; and the powers of the shop council will be largely advisory. Since the employer is designated, under the new scheme, as "leader" and the employees as "followers", critics of Hitlerism have described the Nazi labor code as semi-feudal.

The German republic, whose constitution was framed at Weimar in 1919, had strong labor sympathies under the influence of the socialists—the strongest political group at the time. There were collective agreements between employers and employees, regulating wages and hours of work, which ran through whole industries; and protective social legislation was especially stressed. President Ebert and several of the republican chancellors were socialists, and organized labor was solidly behind them—as evidenced by the Berlin general strike of 1920, which prevented a restoration of the monarchy under the auspices of Dr. Wolfgang Kapp.

Collective agreements and collective bargaining have now been done away with, in favor of dictatorial authority. Employers will appoint their own shop councils, with the advice of local Nazi leaders. If the workers are opposed to the shop council as nominated, they may appeal to the Nazi labor trustee of their district,

who is also empowered to settle disputes in such matters as the pay and discharge of employees. The trustees, approximately thirteen in number, are to act as general mediators and supervisors in order to keep the machinery of production running smoothly.

Nazi "honor courts" will function under the jurisdiction of labor trustees, and they are organized for the protection of all parties. Employers may be tried for exploitation through sweat-shop methods, and employees for agitation or sabotage within the plant. Trustees may impose fines and imprisonment, and the "honor courts" may depose employers and discharge employees if the need should arise. Lockouts and shutdowns must be preceded by at least four weeks' notice for the benefit of the workers, and individual shop regulations should provide for a minimum wage and for higher pay to those who distinguish themselves by their efforts.

In short, the employer becomes a benevolent despot. "He must care for the welfare of the workers. These must accord to him loyalty"—so reads a portion of the labor code. The whole plan is an attempt to weld together capital and labor in vertical units, in order to eliminate the Marxian doctrine of the class-struggle as waged along horizontal lines. The "corporate state" of Italian Fascist economics has been a similar anti-Marxist attempt by Benito Mussolini. Trade unions and employers' associations of the German republican era served to emphasize class distinctions, through horizontal organizations which sought to outwit one another in their close-fisted bargaining. The Nazi conception of a totalitarian state is irrevocably opposed to any cleavage of classes, just as it opposes the struggle of competing political parties or religions.

Germany has been a pioneer in social regulation, and Chancellor Bismarck was responsible for a great deal of pension and insurance legislation late in the nineteenth century. Bismarck's objective was to combat socialism with socialistic measures, intended to make the German working class the most contented and best cared-for proletariat in the world. The iron chancellor succeeded, as he did in most things; and under any regime—imperial, republican, or dictatorial—the German proletarian can be reasonably certain of considerate treatment. Germans of every class have been reared to a feeling of social responsibility.

The Italian "corporate state"—which prohibits both strikes and lockouts, and provides for compulsory arbitration of disputes—is more favorable to workmen than the new German code. Mussolini has a radical proletarian background, while the Nazi movement has always been essentially bourgeois. But the Italian system has been in practice for several years, while the German code is still in the theoretical stage. Time and experience will eventually tell.

### Reichswehr Question?

WITH THE TRADE UNIONS eliminated, along with the opposition political parties, there remains one element in Germany which constitutes a potential threat to the Nazis. This is the Reichswehr, or regular army. The Reichswehr totals 100,000 regulars, the men serving for twelve years and the officers for twenty-five. It is recruited by voluntary enlistment, and the soldiers are the pick of the nation. The Reichswehr is warmly clad, well housed, and amply fed. The

pay is high, and the men are extremely well treated. Out of a hundred young Germans who apply for service, perhaps one is finally accepted. The Reichswehr is limited to only 100,000 by the terms of the Versailles peace treaty of 1919.

The Reichswehr, ever since its founding in 1920, has been a state within a state. Parliament voted it enormous sums of money without itemizing the expenditures, and for a long time the Reichswehr was in close accord with the red army of Russia—acting on its own initiative. In German politics it remained neutral, guarding its own interests and those of German national defense. The Reichswehr ministry in Berlin was always a place of mystery—a sanctum into which paltry politicians did not dare to pry. Here existed an informal general staff, made up of brilliant military minds well schooled in the latest tactics and strategy.

The Reichswehr has been described as an army of sergeants, officered by colonels. Due to the long term of service and the picked men, it is unquestionably the finest armed force of its size in the world. It is deprived of gas, tanks, aircraft, and heavy guns by the Versailles treaty; but even this handicap finds it confident. The men maneuver with cardboard tanks, wooden "big berthas", and theoretical gas divisions; and most military experts are agreed that such small professional armies of highly-trained technicians will prove decisive in any wars that the future may hold in store.

THIS steel-helmeted field-gray force is an enigma. It holds Germany in the hollow of its hand, but continues to remain aloof from politics. The Reichswehr officers are mostly Prussian Junkers with old-fashioned sentiments, who have no particular affection for the bourgeois Nazis of Chancellor Hitler. The Reichswehr soldiers despise the Nazi storm troopers, whom they consider hopeless amateurs and bombastic boy scouts. That the storm troopers outnumber the Reichswehr by nearly six to one, does not disturb the seasoned professionals.

Hence, if Hitler should try to abolish the Reichswehr, as he has abolished political parties and trade unions, he might find that the Reichswehr refused to be abolished. The regular soldiers are proud of their closed corporation, its power, and its prosperity. They would fight for its rights and its continued existence with all their strength. Furthermore, the Reichswehr is devoted to old President Hindenburg, himself a Junker general; and in any difference between Hindenburg and Hitler, the "grand old man" could depend on Reichswehr support in all probability. Everything in Germany has been nazified except a few churches and the Reichswehr. The churches have been loquacious in their opposition, but the Reichswehr has maintained an ominous silence. Behind the silence is a mailed fist which is capable of dealing knockout blows.

In the late Roman Empire there were no political parties. Roman politics were a duel between two strong organizations—the senate versus the army. The senate was a privileged body of patricians, representing the old city of Rome. The army was a democratic assemblage, drawn from the varied races of the entire empire and its frontiers. The army, which made and unmade emperors, finally triumphed.

Is there a parallel between the patrician Roman senate and the exclusive Nazi parliament, and between the democratic Roman legions and the non-Nazi Reichs-

wehr? Will history tend to repeat itself? The writer attempts no answer. The Reichswehr, to date, continues in its cold neutrality.

### Stavisky Rouses France

**I**N France there have been widespread disturbances, centering in the temperamental city of Paris. The immediate cause was the Stavisky scandal which took place in Bayonne, a French city of the south. Here a great municipal pawnshop collapsed to the tune of a \$31,000,000 loss to the French public, the scapegoat being a shady French financial "slicker" named Alexandre Stavisky—who finally killed himself at Chamonix on January 8. Stavisky was born in Russia, but came to France at the age of 14. His father had intended to make a dentist of Alexandre; but the youth took to get-rich-quick schemes with a racketeering success, and was generally surrounded by swarms of beautiful ladies and bodyguards of ex-prize-fighters. Casinos and speculation marts were his chosen resorts, and certain high government officials were suspiciously friendly to the fraudulent "Broadway" genius.

The Bayonne crash involved several French public men in its toils, and popular sentiment was deeply aroused by the Stavisky tampering with pawnshop bond issues which fleeced the buyers. Insurance companies had invested in Bayonne bonds to their detriment, for the bonds were far higher than the value of pawnshop deposits. The fraud was unearthed at the end of 1933, and a French "Teapot Dome" scandal developed. At the same time taxes were raised by the unpopular government, and the salaries of state employees suffered heavy cuts in a governmental effort to balance an unsteady budget. Government-baiting has always been a popular sport in Paris, and trouble came to a head.

There are two elements in France that dislike the republic—the monarchists and communists. The monarchists number perhaps 10,000 young students and aristocrats with Fascist leanings, who favor a French kingdom under the Duc de Guise—a royal pretender dwelling generally in Belgium. These monarchist youngsters are quite irresponsible, and have been laughed at by the level-headed citizens of the republic. The communists, lineal successors to the red Communards of 1871, are radical Paris workmen who admire Moscow.

Monarchists and communists (who detest one another) united in their leadership of the Paris mob against the "corrupt" Chamber of Deputies under Premier Daladier, who was forced to resign. Taxpayers, state employees with wage cuts, reds, king's henchman, and professional roughnecks joined in the demonstration against parliament, and police became exhausted from street fighting. Many were killed and hundreds were wounded as soldiers fired repeatedly into the bitter crowds, and charged them on horseback.

There were no fundamental issues involved, despite the pronouncements of the monarchist and communist leaders, for France is a land of independent peasant proprietors who own their farms and hold government securities. These petty capitalists of the rural departments dislike monarchy and communism equally, and adhere strongly to the liberal principles of the French revolution of 1789. The moderate Radical-Socialist (liberal) party of Herriot and Daladier represents sturdy country citizens who form the backbone of the

French nation and believe in liberty, equality, fraternity. French big business is represented by the conservative parties of Tardieu and Reynaud, but they too are thoroughly republican. French whites of the Duc de Guise and French reds of the Third International are romantics pure and simple. But they love disorder, and "l'Affaire Stavisky" has given them a heaven-sent excuse for promoting mass disorders. There have been cabinet changes, and graft investigations appear probable in the near future. Anything more radical seems extremely unlikely, despite the spectacular barricades and shootings of the Paris boulevards. "Teapot Dome" led neither to an American monarchy, nor to a Soviet U. S. A. The French republic, dating from the Franco-German War of 1870, has lasted sixty-three years to date. It survived the supreme test of the World War with a maximum of credit. It should survive the petty "Affaire Stavisky", with perhaps some minor constitutional revisions.

### "Austria in Partes Tres Divisa Est"

**M**EANWHILE Austria has become the danger spot of Europe. Chancellor Dollfuss, a political Catholic, has established an ironclad dictatorship in opposition to the Austrian Nazis, who favor union with Germany. Austrian independence is an artificial thing, for since the World War the little state has existed miserably as a head without a body. France, Italy, and Czechoslovakia are against any Austro-German merger, for it would strengthen Germany, surround Czechoslovakia, and bring the German frontier clear down to Italy.

Germany will not attempt forcible annexation, but Nazi propaganda is active in Austria and the frantic little Dollfuss is appealing to the League of Nations for anti-German support. His Fatherland-Front totals perhaps 40 per cent of the Austrian people; the Austrian Nazis number another hypothetical 40 per cent; and the socialist proletariat of Vienna is a probable 20 per cent. The Nazi elements appear to be gaining, although the Dollfuss dictatorship holds them down with a steady hand, aided by the Austrian regular army of 30,000 which is fully mobilized.

Dollfuss looks to the Pope and to Fascist Italy for primary guidance, while the Austrian Nazis look to Hitler. The Viennese socialists, mindful of what Hitler has done to the German trade unions, dislike him; they abominate Dollfuss, since they are anti-Catholic. Dollfuss, for all his undoubted pluck, is in an exceedingly precarious position. Should the Nazis triumph in Austria, a brown-shirt Austria would coöperate closely with a brown-shirt Germany—and Austro-German union, based on a common race and language, would be virtually established.

On February 12 the socialists rose against Dollfuss in Vienna, Graz, Linz, and lesser cities, because of his efforts toward introducing Italian Fascism as a form of government. Hundreds were killed and wounded, and tanks, artillery, gas, and barbed-wire were utilized in bloody scenes that approximated real war. The socialist mayor of Vienna was arrested, and Austrian socialism was outlawed along with the socialist Vienna city council. Vienna, a model municipality, was at last under the iron thumb of Dollfuss, his brutal army, and his militaristic Fatherland-Front.



# Jugoslav Mosaic

**F**ew people recall how recently the Balkans were Turkish. "Eothen", that 1834 book on travel in the Near East, begins by pointing out that although the two frontier towns of Semlin in Hungary and Belgrade just across the river "are less than a gunshot apart", nevertheless "the Hungarians on the north and the Turks and Serbians on the southern side of the Save are as much asunder as though there were fifty broad provinces that lay in the path between them". Before leaving the Semlin bank of the stream, the author and his companions were "asked if we had wound up all our affairs in Christendom. On the Belgrade bank everyone wore turbans"—"It was plain they were Turks of the proud old school, and had not forgotten the fierce, careless bearing of their once victorious race". And this was only one hundred years ago!

Now the frontier has been moved well back toward the north; and no longer can Belgrade suffer the indignity of a shelling by enemy field artillery from across the Save, which served so long as Serbia's boundary.

The Near East is today a mosaic of various peoples and, thanks to Mustafa Kemal's peace policies, forms a far more harmonious picture than when the several parts were forcibly held together in the Ottoman Empire. Also Yugoslavia, like the Near East, is herself a mosaic. Foreigners call it Jugoslavia, but at home it was first known as the kingdom of the Serbs, Croats and Slovenes—a name indicating its differing Slavonic units. The Allies, assembled at the Versailles Conference, added to Serbia several neighboring Slavonic peoples, notably the Croats and Slovenes. This mosaic kingdom, so enlarged, has ever since afforded a difficult problem to statesmen—how to compose the differing units into one harmonious whole. The writer believes that this has been effected chiefly by the leadership of King Alexander, who succeeded his father, Peter, on the throne soon after Versailles so greatly extended the country's limits. Ten years ago I had the privilege of being presented to King Alexander in his Belgrade palace—the Novi Dvor—and throughout that decade I have followed with the keenest interest the development of the Serbs, Croats, and Slovenes under the young sovereign.

In the spring of 1933 I returned to Belgrade. But was it Belgrade? What had become of the old Balkan city I had known ten years before—its rudely paved streets, poverty, and lack of comfort, as witness the 1923 allegation of only four modern bath rooms in the entire city! Kalemegdan Park was still there, with its unparalleled view from a rocky headland up and down the Danube, and across the tranquil Save. But all else was changed, and in its place was a busy, up-to-date city with asphalt pavements, fine new buildings both governmental and private, good hotels, and even the Kalemegdan promontory beautified.



QUEEN MARIA of Yugoslavia with her three sons, Tomislav, Andreja, and Peter (right), who is heir to the throne.

This time the writer was received by King Alexander at the attractive new palace of Dedigné, which left one undecided whether to prefer the fine edifice (there is even a cinema theater), its gorgeous view over the capital and winding Danube, or the gaily flowered terraces where romped the three royal children.

With these local changes, all for the better, the chief governmental problem is to assemble the mosaic of Serbs, Croats, Slovenes, and other south Slavs. One could almost read the answer in the sovereign's face. Never have I seen ten years so alter a man's expression. Firmness and decision have been added to youthful vigor and enthusiasm—steadiness that has survived political crises, equability that overcame misunderstanding and acid criticism of purpose, and integrity of that purpose. But though the face has gained in maturity, it has lost nothing of the vision which has been so often required during a trying decade.

Why had the writer returned to Belgrade? Appropriately enough, we have already spoken of mosaics political; but it was to see another kind of mosaic—the decoration of Oplenats Church, fifty miles out from Belgrade, where sixteen Karageorgevitch sovereigns lie buried. He knew that King Alexander had adorned the entire interior with mosaic, and he had been struck by the patriotism and good taste of selecting designs from

## By CHARLES H. SHERRILL

Former Ambassador to Turkey

ancient Serb documents of the 12th, 13th, and 14th centuries. The writer was much pleased with such of those mosaics as he had already seen during their manufacture at Treptow, a Berlin suburb; but to view them all, assembled and installed, completely covering the interior of the old church—that would indeed be a joy to a mosaic enthusiast. It was this achievement of an artistic and patriotic vision which inspired the dedication of his book on mosaics to the king. It was the reason a retiring American ambassador paused in Yugoslavia on his homeward way.

THE best reason for a stop in Belgrade by one coming from Turkey is that in King Alexander and Mustafa Kemal we have two chiefs-of-state who, although each commands a highly efficient army, prefer peace to war and are today leading pacifiers for all south-eastern Europe. Furthermore, keen as was King Alexander to show me every detail of his historical mosaics at Oplenats, he was even more interested in what I could tell him of Mustafa Kemal's proven statesmanship and betterment of Turkey. All the world, but especially Europe, is vastly interested in avoiding another war. The Balkans have an evil reputation for being the birthplace of many past conflicts. No two men can do more for tranquillity in the Near East than that South Slav and that Turk, and this fact is our apology for a seeming digression.

At the conclusion of a formal audience with the king in the Dediné palace the morning after my arrival in Belgrade, he expressed a wish to show me personally the mosaics at Oplenats, and also to talk further about Mustafa Kemal. A royal motor would bring me out to Oplenats to spend the night and take me back to Belgrade next morning.

Come with me then, gentle reader, at 5 o'clock for an hour and a half ride over prosperous countryside, to the village of Topola and through it to the gates of the royal estate which tops the hillside. One arrives first at the church, and a short stroll beyond are two modest country houses offering the king, queen, and royal children an occasional refuge from city life.

The writer had hardly begun to enjoy the mosaics when the king himself arrived, as keen to answer questions about them as the writer was to ask. Ample time was taken to inspect them—not only in the afternoon light but later in the evening, when they were especially illuminated, and again next morning from 7:30 until after 9, always under the guidance of the king. Below, in the crypt, fourteen sovereigns of the Karageorgevitch line are buried, while above lie the two immediate predecessors of Alexander. It is told in Belgrade that when a serious problem of state arises, the king withdraws to Oplenats, where he descends to the crypt amid memories of his ancestors and takes thought as to how he shall meet it.

After the visit to the church ensued a long tête-à-tête conversation with the king about the Near East in general and Turkey in particular—during which I replied



KING ALEXANDER of Yugoslavia. The inscription on the photograph is in the King's own handwriting.

to a long series of questions. But it was always the personality of Mustafa Kemal that most interested my royal interlocutor—how the Gazi worked, with what sort of men he surrounded himself, what his present purposes were. In this talk and in a similar one that followed our visit to the illuminated church, King Alexander inquired about Mustafa Kemal's campaign to revise the occidental estimate of Turkey's history and arouse Turkish interest in historical research. These activities of the famous Turk appealed particularly to this Karageorgevitch, who has been engaged in similar historical propaganda.

Next morning brought more enjoyment of the views which Oplenats' elevation affords, another visit to the mosaic gallery of early Serb history in the church, and then the motor ride back to town through the smiling countryside. A pleasant ending to my study of Serbian mosaic pictures and another greater mosaic, that of those strangely differing countries forming the geographical maze we westerners call the Near East.

# War Scares and a Big Navy

By ALBERT SHAW

## War Talk But No Grievance

WAR IS MORE LIKELY to come through the "fear complex" than through deliberate planning for conquest. There are alarmists writing in the press of various nations, and promoting armament schemes in war offices and in parliaments, who seem bent upon frightening people into the feeling that war may now come at a moment's notice.

There are writers in Europe—some of them having influence as experts—who are calmly announcing that war between Japan and the United States is imminent. Nothing can be done to avert it, or even to postpone it, in the opinion of these observers across the Atlantic. They are doing what they can to encourage the restless war spirit that the wiser Japanese leaders have sought to restrain.

Since Americans have only the most friendly feeling for the Japanese and have no grievance of any kind, they may well wonder where the war talk originates and what lies behind it. There are European interests which believe they would profit by a struggle in the Pacific that would tax the resources of America, while diverting Japan from the bold policies that bid fair to give her the dominant place in Asia.

A war with the United States on the part of Japan would promptly reestablish Great Britain's textile trade in India and China that the Japanese have been usurping. It would turn the attention of Russia away from Western Europe, to a resumption of eastward movements on a large scale. Looking on from our own standpoint, it would seem as if the Japanese war party could undertake nothing more likely to prove disastrous than an attack upon the United States. The interests in Asia of the British and French, as well as those of the Chinese, Russians, and Koreans, would obviously prefer to see Japan defeated rather than the United States.

## Our Philippine Outpost

THIS COUNTRY, therefore, could well afford to act upon the defensive, while developing its military and naval resources. It is likely enough that Japan would take possession of the Philippines at the outset of a war with the United States. Various countries have interests of one kind or another in the Philippines, and our flag has remained there for no clear reasons of advantage to ourselves. The Filipinos say they do not want us there.

To have the Japanese replace us would give the Filipino politicians the lesson that many people think is what they most need.

After the Spanish-American war, it was impossible to return the Philippine Archipelago to Spain. Germany wanted to acquire it, and Japan was ready to take possession in case of our withdrawal. For reasons of their own, the British urged us to make our temporary occupation permanent. The Spaniards had property interests that they preferred to entrust to our promised supervision.

The Japanese were bitterly disappointed over our decision to stay, but they could not attempt to dispossess the United States. The German and British Pacific squadrons would together have supported America as against Japan, and the Russians would have been of the same mind. Japan never became reconciled to the new position of the United States in the Far East. She had financed General Aguinaldo and the Filipinos in their uprising against the Spanish government of the Islands. She had assumed

many ways we have set the world a good example of colonial administration in our effort to teach the Filipinos something about public health, popular education, improved agriculture, and western means of transportation. But nearly all of the American school teachers came back home long ago. Americans are not seeking careers in that quarter. Little is left except the favorable access to American markets of certain products that compete unpleasantly with some of our own.

## Paying the Price for an Ideal

AS PART OF THE price we paid at the Washington naval conference for the arrangement that fixed battleship ratios, we agreed not to protect our sovereign holdings in those distant islands of the Pacific by increasing the strength of our fortifications. Our legal rights, as universally recognized, in no manner differed from the legal rights of the Japanese to defend their outlying islands. We renounced the right to fortify our holdings, leaving Japanese rights unimpaired.

At that time we had made progress in the construction of a new navy much stronger than that of Great Britain, and more than twice as strong as any navy that Japan could afford to build. Our motive in building a large navy was altogether pacifist. President Wilson had preached that big-navy doctrine after his return with the ill-fated Versailles Treaty in his pocket. We were proposing to show the world the uselessness of competition in the building of warships. The German navy had been sunk, and Germany was prohibited by the Versailles Treaty from constructing a new navy of importance. England and France had promised that they in turn would follow with naval disarmament. But their attitude in the Peace Conference had shown that they were intent only upon their own aggrandizement at the further expense of the German people.

A dozen years ago the strength of navies was estimated chiefly in the tonnage of great battleships, taken together with the number, caliber, and range of their heavy guns. Secretary Hughes (now Chief Justice), then at the head of the Harding Cabinet, was supported in the Washington Conference by American delegates of outstanding ability and reputation. Our Government was of opinion that if an end were put to competitive building for control of the seas, all the naval powers would soon be glad to save as much money as possible. It



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## A MAN'S BEST FRIEND IS HIS MOTHER

that the United States would be content with superseding Spain in the West Indies. She had expected this country to withdraw from Manila at once, after peace had been concluded between the United States and Spain, leaving her free to set up a Philippine protectorate.

History that is made in the wrong way is inconclusive. It always insists upon further chapters to find equilibrium. In



was logical to suppose that they would reduce their fleets from time to time, until at length a patrol of the seas by international agreement would take the place of separate navies flying national colors. The policies that Mr. Hughes made at the opening of the conference were thus idealistic in their ultimate aims. But also they seemed to be statesmanlike and practical in their immediate proposals.

### Uncle Sam's Navy at Its Best

WE WERE ALREADY engaged in constructing a high-seas fleet of "dreadnoughts", under a program with which the British could not afford to compete. Less than four years had elapsed since our navy had reinforced the British navy in the World War. Our battleships had helped to patrol the North Sea, with Admiral Sims and Admiral Rodman heartily supporting British plans to protect their supply ships from German submarines. Our assistance to the Allied cause had been in such stupendous proportions that the English government could not openly assert the claim of Britannia to rule the seas, in the face of our determination to take at least a leading place.

At the very opening of the conference. Mr. Hughes proposed the principle of naval equality between the British and American fleets. On behalf of the British delegation, Lord Balfour accepted the proposal. The world was impressed. The pathway to disarmament seemed to be opening clearly before the nations. German sea power was no longer in question. France had to remain strong on land, and could not at once afford to take rank at sea with the two foremost naval powers, or even with Japan. But she had nothing to fear—and neither had Italy—from any one of the three foremost navies, all of them having recently supported her cause in the great war.

There was trouble, however, about the mathematical ratios. It was found possible to agree upon the ratio of five-five-three for the three principal navies, in so far as so-called "capital ships" were concerned. But it proved impossible to secure agreements applying these ratios, or any other ratios, to the details of cruisers, submarines, destroyers, aircraft, and other component parts of a nation's maritime war equipment.

The United States scrapped battleships, and our navy men argued with Britain's navy men about cruisers and other details. The British had reasons, far more definite than ours, for wishing to keep their navy at full strength and in evidence all over the world. They had many coaling stations and naval bases, while we had few. They preferred to build many smaller cruisers, while we preferred to put an equivalent tonnage into larger ships, with coaling capacity for longer voyages. Meanwhile we were saving

money by allowing our navy to fall below Treaty agreements; while the British, with vast imperial interests at stake, were more conscious of maritime conditions.

### Japan Grows Ambitious

AS FOR THE Japanese, they had studied thoroughly the history of the British Empire and the British navy, and they were proposing to strike out for themselves. The world war had enhanced their opportunities on the Asiatic main-

any period. This little island empire had first shown that it could fight by crushing the Chinese navy. It had summoned up its courage and thrown off its subjection to humiliating commercial treaties with European governments. It had leaped into the small circle of great powers by defeating the Russian army and navy. It had taken possession of Korea, and had converted occupation into full annexation. It had acquired railways and made other large investments in Manchuria.

Technically, Manchuria was a part of the Chinese Empire. But that empire had fallen apart through internal dissensions. The United States had insisted that China should not be dismembered while in process of political reconstruction. The League of Nations supported this view, and Japan as well as Europe accepted it, at least nominally.

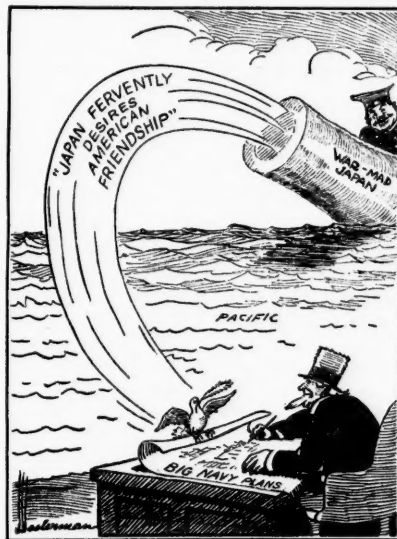
### Boldness of Japanese Diplomacy

BUT JAPAN WAS NOT willing to forego the opportunity that China's misfortunes had given her in the great territory north of the boundary line of what is known as "China proper". Japan was in actual control of the market for Manchurian products. Thirty million Chinese farmers cultivated the Manchurian soil, but their villages were over-run by bandits. Japan undertook to set Manchuria in order. China, in turn, began to boycott Japanese goods. Japan made attack upon China by sea, and Japanese troops advanced by land southward from Manchuria.

Japan, meanwhile, has set up the new state of Manchukuo, thus disowning the technical sovereignty of China over Manchuria. The League of Nations disapproved of Japan's proceedings, and Japan withdrew from the League. Reading the history of the British and other empires, the Japanese had decided that the world really respects those who act boldly and responsibly upon their own chosen lines. Japan had no doubts as to the essential justice and historic timeliness of her policies on the Asiatic mainland.

What are the results up to date? Many a long chapter, of course, is to be written in the future; but in these opening months of 1934 Japan's new protege in Northern Asia, termed Manchukuo, seems to be quite firmly established, while the League of Nations plainly has lost most of its influence as respects affairs in the Far East.

The hundreds of millions of people known as Chinese will survive, in spite of political vicissitudes. They are lacking at present in strong central institutions of government. They have suffered much, but also have learned something, through their years of devastating civil strife. When they choose to assert themselves in a spirit of national self-consciousness, they will not be the victims



By Westerman, in the Ohio State Journal (Columbus)

### IT'S A PEACE BOMBI

land. They had expelled the Germans from China. Their rapidly increasing population, following England's earlier example, had turned to manufacturing for export on a great scale. Like Great Britain, also, they were obliged to go abroad for supplies of food and raw material. They were glad to do as much business as they could with America and Europe; but they were looking chiefly to Asia for the things they needed to import, and they were determined to undersell England and other countries in the consuming markets of China, and even of British India, for various kinds of industrial products.

England's empire had been gained at the expense of other nations by seizing historic opportunities. Thus Canada had been taken away from the French. South Africa, like New Amsterdam, had been taken from the Dutch. Gibraltar, Malta, Cyprus, the Suez Canal, and the vast empire of India, had been acquired by the seizure of advantages at propitious moments. Egypt had been gained and lost; but the best parts of Africa, generally speaking, had been grasped for British exploitation.

Japanese ambitions had become even more daring than those of England at

of outside interference, whether from Europe or from Japan. For the present, it would seem to be best for them to be on good terms with the Japanese.

### Congress Strengthens the Navy

THESE COMMENTS MAY seem to have drifted away from the question with which they began, namely, that of a possible war between Japan and the United States. From the Japanese standpoint, however, all these phases of recent history have a bearing upon relationships between the two strong naval powers on opposite sides of the Pacific. The Japanese people would like to be understood in the United States. Mischief-makers have stirred up bitter feeling in Japan. It is believed that this country is determined to control the Pacific Ocean; to befriend China as against Japan; and to prevent acceptance of Japanese policy in Manchuria.

While observing the restrictions of the Washington Treaty as regards battleships, Japan has been building up the other categories of her navy, with an energy that would seem to justify the widespread opinion that she is getting ready for a naval war. It is not supposed that she is building against the British. European experts assert that she is building against the United States.

Congress, in the opening weeks of the present session, voted the largest sums for naval construction that have ever been appropriated by any country in times of peace. The British are not disturbed, understanding that "Brother Jonathan" will, from time to time, arouse himself to consider that naval equality should be something more than a theory. But the Japanese are bound to believe that we are thinking definitely of the situation across the Pacific.

### When Another Conference Is Held

THE RATIO five-five-three is not, as some people may have supposed, a permanent one. As between Great Britain and the United States, the principle of naval equality is not likely to be challenged on either side in the near future. But if another conference is held in 1935, as expected, to meet conditions arising on the expiration of the present naval treaty, Japan will insist quite firmly upon a position of full equality with England and America.

Since the ratios agreed upon were worked out in actual tonnage, it is the present duty of the United States to build up to the agreed limit. We owe this duty to Japan quite as much as to ourselves. There were hopeful changes in the personnel of Japanese government last month. A new Ministry of War sent forth messages of good will, especially toward the United States. A new

Japanese Ambassador, well acquainted with this country through former diplomatic service, arrived at Washington.

To strengthen the American navy is to write an insurance policy for Japan. The menace of trouble is not from this country, but from the "yellow press" of Japan, stirring up antagonisms that might have fatal results. If the American navy actually assumes its superior place, in accordance with the terms of the Washington Treaty, it will protect the peace of the Pacific and thus serve the best interests not only of Japan and the United States but also of the world at large.



By Evans, in the Columbus, Ohio, Dispatch

### REVALUATION—UPWARD!

In the long run, however, all of these technical agreements about naval strength cannot protect the nations from the disasters of war. There must be earnest and constant efforts to remove the causes of war and to promote friendship and good will.

### We Could Remove One Thorn

WE ARE, in point of fact, most friendly to the Japanese people, with no grievances against them. We admire them for their amazing achievements. It has never occurred to us to think of them as enemies.

It happens that they are a prolific race, and at one time their problem of surplus population seemed insoluble. Japanese laborers came in large numbers to the United States. This made trouble in California and the other states of our Far West. The exclusion of Japanese immigrants followed that of Chinese laborers. Japanese statesmen understood the situation, and were willing to restrict the movement of common labor from their country to ours. In the time of President Theodore Roosevelt, when Elihu Root was Secretary of State, the friction in California was largely removed by vir-

tue of a so-called "gentlemen's agreement", in accordance with which Japan undertook to check the movement of labor to the California market, while the United States would not subject Japan to the humiliation of legal restrictions that were not applied to labor from Central and Eastern Europe.

Since that time, we have brought immigration under the restrictions of the existing quota system. The Japanese quota would have been small, in any case; and Japan was ready to agree that control would be exercised by the withholding of Japanese passports from laborers seeking to enter the United States.

President Roosevelt and Secretary Hull could improve relations at once by showing regard for Japanese feelings in this matter of legal discrimination. It would be of no value to Japan to encourage a considerable movement of labor to the United States. Japan now seeks the employment of her people at home in manufacturing, with large commercial expansion on the continent of Asia. A first step should be taken by the Administration in showing respect for Japan's feeling of national pride. Aliens in these times are going back to their own countries in larger numbers than they are coming here. There are not jobs enough for our own citizens. Japan would take no advantage of equal treatment in the matter of immigration laws, and our labor market will not tempt a fresh trans-Pacific movement of Oriental workers.

### Manchuria Master of Its Future

OUR GOVERNMENT has lived down its scruples against the recognition of Soviet Russia, without any prospects of harm to ourselves or to others. Time has been making gradual changes in the attitude of the Soviet system toward the world at large. There were good reasons for delaying the exchange of ambassadors with Moscow, but it is generally believed that the proper time had arrived, and that the results will be beneficial. Is it not possible, in like manner, that it may prove best for us to recognize the situation in Manchuria as firmly established by Japanese authority?

No government in China has exercised real control in Manchuria for many years past. It is true that the inhabitants of the country are of Chinese stock, but it is no longer probable that they can ever find it to their advantage to come under the domination of a central Chinese government. Economic connections and trade routes are associating Manchuria with the activities of Japan and Russia, rather than with China. The common people of that region are entitled to some kind of local government to protect them in their personal and property rights. The present order of things is far better than anarchy and banditry.



Japan has declared that she has no intention to deprive the United States of such commercial opportunities as had hitherto been open to us in Manchuria. Here lies a field for intelligent business negotiations. Political and economic stability all the way across northern Asia would be to our advantage, and it is especially desirable for the states of our Pacific Coast.

### Talk of a Japanese War with Russia

THE WAR PROPHETS warn the world that Soviet Russia is preparing for a deadly conflict with Japan over rival interests in these vast Asiatic territories. But it is evident to all sensible people that neither of them can afford to indulge in such a war. Japan's interests, which are those of commercial enterprise rather than of political dominion, can and should be reconciled with all tenable claims on the part of Russia.

Japan has now immediately before her talented statesmen the most brilliant opportunities for success through diplomacy that have ever been within her reach. Renouncing war as an instrument of policy, in the spirit of the Kellogg Pact, Japan should accept Russia's assurances. No government has gone farther than that of Moscow in protestations against war, and in definite expressions of readiness to settle all questions that may arise by friendly agreement.

Japanese leaders are well aware that it is far better to cultivate the friendship of China than to incur ill-will, or to keep the Chinese mind in fear or dread. The political reconstruction of China should be encouraged in every possible way by Japanese statesmanship. It is not for us in America to solve the problems of the Far East, nor is it the business of Europe to attempt dictation, whether through the League of Nations or directly from London and Paris. In spite of America and Europe, the Japanese, the Russians, and the Chinese will adjust their own major problems in northern Asia.

It would probably be best for China to recognize Manchukuo as a friendly neighbor with an independent government. As soon as China and Russia can be persuaded by Japan to recognize Manchukuo, there would be no further ground for hesitation at Washington. Nothing at this time could be a more useful object-lesson to European governments than to have Russia and Japan set about the task of making a prompt settlement of their supposedly irreconcilable differences. Each of them is strong enough to sustain its own position, so that an agreement could be reached without sacrifice or humiliation on either side.

Meanwhile it is important for all the world that internal conditions in China should become adjusted on a permanent basis. The United States and Japan would

do well if they could bring their respective points of view about China into the broad light of understanding.

### Away with Navies—and Humbug!

IT WAS PERHAPS necessary to live through the experiences that have followed upon the elaborate negotiations and agreements of the Washington Conference, in order to realize that peace does not come by shortening the barrel of your shotgun, or by changing your revolver of large caliber for a smaller one. Individuals are no longer allowed to go armed in our city streets. Nations have no business to go armed on the high seas that belong to everybody.

There should, however, be an end of hypocrisy and humbug in all this discussion of armament and disarmament. No country has any reason whatever for maintaining a large navy. If England and the United States are to spend several hundred million dollars a year on war vessels that are free to go where they please on the common oceans, there is no logical reason why Japan or any other nation should be restricted to a navy far less efficient. Japan accepts as temporary her inferiority in battleships,

to account for possessing war equipment intended only to be used aggressively.

The same principle should apply to naval armament. Nations will defend their coasts, and will insist upon the security of their merchant ships in all waters. But heavy naval armament is designed for other purposes than the protection of commerce or the defense of coast lines. An international authority should be established to exercise control over the seas under a code of maritime rules and regulations. No legitimate interest in the world is served by the maintenance of large separate navies. To insist upon maintaining them after the assurances given when the German navy was sunk is an international offense.

### Why We Have a Big Navy

WE MAY WELL refuse to condone the assumption that certain empires were destroyed by the great war in order that two or three surviving empires might thrive the more freely. Japan and Germany are right in demanding that their equality must be recognized. But their only possible reason for needing large navies is to be found in the fact that certain other countries insist upon having them.

The government and the people of the United States are thoroughly committed to the doctrines of peace and disarmament. It might seem a strange paradox, therefore, that the Roosevelt administration, with the full support of Congress, has adopted a naval replacement bill that will cost half a billion dollars, including thirty new submarines among a hundred smaller vessels, and about twelve hundred naval airplanes. There are warlike elements in the world; and the proponents of peace cannot well disarm in the presence of those who will take advantage of the confiding and the amiable.

Ours is the only strong navy in the western hemisphere, and it is a peace navy for the protection of every country from the North Pole to Patagonia. Because it exists, it is not likely to be needed. If it did not exist, the lack might be bitterly regretted. If we had possessed half a dozen more fighting ships in 1898, Spain would have withdrawn from Cuba peaceably and on terms of mutual advantage. The Spaniards risked a naval duel because the European experts told them that the American navy was the smaller and weaker of the two. It was a matter of mathematics and theory against morale and efficiency. We had money enough to support a good navy, and we owed it alike to the Cubans and the Spaniards to be capable, without any doubt whatever, of enforcing our verdicts. At least no arguments were required last month to convince Congress that this is the time for making our navy strong enough to meet any test.



By Orr, in the Chicago Tribune  
A BREWER AT WORK

merely because she was unable in 1922 for financial reasons to compete with England and the United States. As regards submarines, airplanes, cruisers and smaller vessels, she has never accepted inferior status, either in principle or in practice.

It is now proposed by genuine advocates of peace in Europe to abolish such war instruments as are designed for purposes of aggression or invasion. It must be a good while before nations will abandon defensive preparations of a military nature; but they should be held



# The March of Events

January 11 to February 12

## The President's Money Bill

A most important piece of legislation passes smoothly through Congress . . . and the gold dollar shrinks to 59 cents.

A SPECIAL message from President Roosevelt asks Congress (January 15) for authority to stabilize the dollar between 50 and 60 cents on the basis of present gold value; to vest in the Treasury, instead of the Federal Reserve system, the title to all monetary gold; to set apart a stabilizing fund of two billion dollars, out of the profit from devaluation, to keep the dollar from fluctuating too widely, or from rising too high, in foreign exchange.

THE HOUSE passes, 360 to 40, the Administration's gold or money bill (January 20).

THE PRESIDENT's monetary bill passes the Senate by 66 to 22 (January 27). Senator Glass of Virginia, former Secretary of the Treasury, is the only Democrat to vote against the measure, while ten Republicans—largely western insurgents—join the otherwise solid Democratic majority.

THE MONEY bill, perhaps the most significant legislation of a generation, is signed by President Franklin D. Roosevelt (January 30).

AS THE PRESIDENT signs the monetary bill he fixes \$35 an ounce (January 31) as the price at which the Treasury will buy and sell gold. This, mathematically, is devaluation of the old gold dollar to 59.06 cents. It is intended to be permanent, though the price may be shifted under the law between 50 and 60 cents. Gold coinage is abandoned.

MONETARY gold stocks of the United States are reported by the Federal Reserve System at \$7,036,000,000 (February 8), a rise of \$3,001,000,000 due to revaluation at \$35 an ounce.

## A Crisis in France

The republic is again the victim of a parliament with many leaders and few followers.

THE CABINET of Camille Chautemps resigns (January 27) as a delayed result of the failure of the Bayonne municipal pawnshop with heavy losses to investors. The ministry had been in office exactly two months.

EDOUARD DALADIER forms a ministry in France (January 30). He had been Premier as recently as October 1933, the third in a series of five French cabinet

failures within fourteen months: Herriot, Paul-Boncour, Daladier, Sarraut, Chautemps.

RIOTING IN PARIS—which had been mildly in evidence outside the Chamber of Deputies during two earlier cabinet crises—assumes serious proportions as Daladier receives a vote of confidence (February 6). Mobs estimated at 30,000 parade, clash with police, and set fire to buildings in the Place de la Concorde and elsewhere. Royalists and communists furnish leadership. The popular complaint is against scandals in public office, a growing deficit, increasing taxes, and evils of economic depression.

EDOUARD DALADIER resigns (February 7) after eight days in the premiership, the second ministry to fall before popular outcry though supported in the Chamber. President Lebrun appeals to former President Gaston Doumergue to come out of retirement.

GASTON DOUMERGUE's "National Union" cabinet is completed (February 9). It includes six former Premiers: Doumergue himself, Herriot, Tardieu, Laval, Barthou, and Sarraut.

## Cuba Revived

Three presidents within three days . . . and then a period of brightness and cheer.

RAMON GRAU SAN MARTIN resigns as President of Cuba (January 15) at the request of the revolutionary junta which had placed him in office four months earlier. He is succeeded immediately by Carlos Hevia, 34-year-old graduate of the U. S. Naval Academy.

COL. Carlos Mendieta, leader of the Nationalist party, is designated President of Cuba (January 18), Carlos Hevia having failed to win prestige. Mendieta is supported by popular favor and by the revolutionary junta which has been in the saddle since September.

THE United States extends formal recognition to the Mendieta government (January 23), with tumultuous acclaim by the populace of Havana. On the day before, President Roosevelt had consulted the diplomats of seventeen Latin-American countries, at the White House.

SUGAR stabilization plans in the United States (February 8), for domestic production as well as imports, are looked upon as favorable to Cuba—which is allowed 1,944,000 short tons out of an aggregate of 6,452,000. The rum import quota also is increased.

## Air Mail

Scandals bring drastic action.

A SENATE committee seeking information upon which to frame laws is told by a witness that out of an investment of \$253 in airplane stocks he received 9½ million dollars for shares sold, 1½ million in salaries and bonuses, and still owns shares worth 2 million (January 17). Government air mail subsidies to his companies exceeded 87 millions.

ALL AIR-MAIL contracts are annulled by the President (February 9) as a result of evidence of fraud in their award, or too much profit for financial promoters. The army air corps is directed to take over the mail service on February 19.

## Wall Street

A mild boom is followed by a severe shock.

BOND SALES on the New York Stock Exchange, week ended February 3, reach the highest total since April 1922. The New York Times average of forty domestic bonds rises to 80.20, the highest level since September 1931. It is a rise from a low of 51.94 in May 1932.

THE MARKET value of shares listed on the New York Stock Exchange is officially reported by the Exchange (February 6) to have risen 4¼ billion dollars during January—from 33 billion on January 1 to 37.3 billion on February 1.

A SPECIAL message from the President, and the preliminary draft of a bill introduced by Senator Fletcher and Representative Rayburn (February 9), place the question of stock-exchange regulation before Congress. Authority given to the Federal Trade Commission and a minimum margin requirement of 60 per cent are highlights of the bill.

## Recovery

Straws that show the way the wind has blown . . . and is blowing.

THE COÖRDINATOR of Transportation, Joseph B. Eastman, reports on progress (January 20). He suggests, as a possibility, federal ownership by a corporation chartered by Congress to be named the United States Railways. Bonds of this corporation, guaranteed by the Government, would be exchanged for present securities. But he is not yet prepared

Continued on page 64

## ◦ ◦ Highlights in Foreign Satire ◦ ◦



From *Notenkraaker* (Amsterdam, Holland)

**DESPERATELY in Love.** A Dutch view of Mussolini and the League of Nations.



From *Kladderadatsch* (Berlin)

**THE RISING TIDE of Color:** Red, Black and Yellow threaten a divided European civilization.



From *Le Cri de Paris*

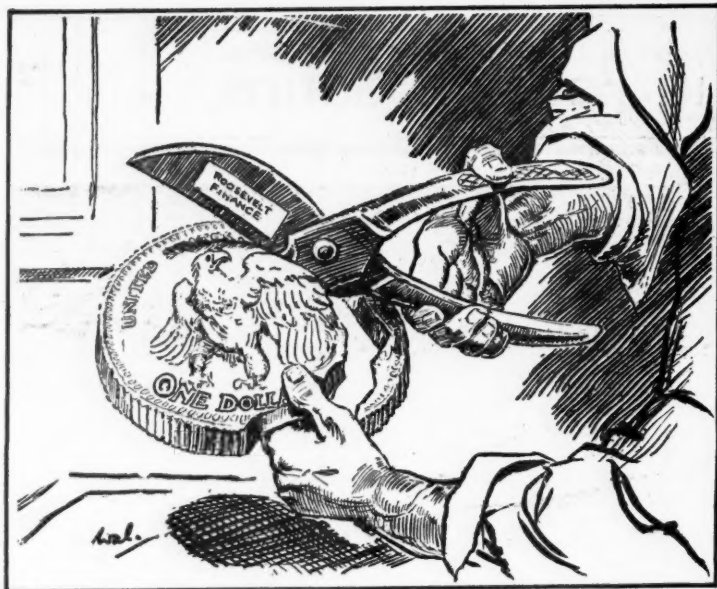
**MARIANNE (France)** smilingly dreams of Peace. When will she awaken to the reality?



From *De Groene Amsterdammer* (Amsterdam, Holland)

**THE SHADOW** over Europe of approaching military strife between France and Germany.





From News of the World (London)

**SHEAR INFLATION:** Roosevelt cuts the dollar 40.4 per cent.



From King (Tokio, Japan)

**THE Russian Vulture, the American Tiger, the British Bear, the Chinese Lion, want to eat the Manchurian child—but Japan is the man who prevents it.**



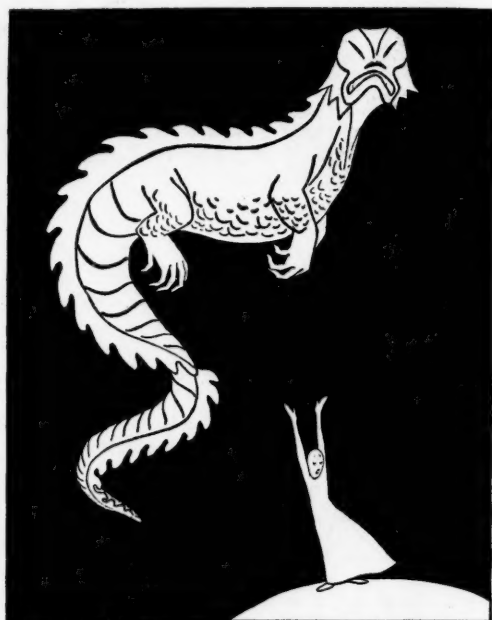
From the London Daily Express

**THE CRAZY PIPER.** The glories of war are now being taught to wildly enthusiastic German school children.



From Le Pileri (Geneva, Switzerland)

**A SWISS CONCEPTION OF HERR HITLER**



From Simplicissimus (Munich)

**WAR-SCARED Europe:** "People of Europe, this dragon flies."



From Magyarorszag (Budapest)

**ROOSEVELT, the modern alchemist:** "This time I am certain of success. Believe me! I am going to change gold into paper."

REVIEW OF REVIEWS and WORLD'S WORK



# MANHATTAN OFFERS By GEORGE BRANDT

## Outstanding Plays

### The Joyous Season

Play by Philip Barry. Presented by Arthur Hopkins.

SINCE the theatre first grew out of religious spectacle, it is quite natural that nearly every season should include at least one play on a theme of religion. Today's conditions logically bring forth plays advocating greater spirituality. O'Neill's new *Days Without End* is, in a sense, a modern miracle play of a man's search after soul-comfort. *The Joyous Season* resembles it somewhat. It tells of a new-fashionable Boston family, Irish Catholics who have drifted from childhood simplicity to affluence, and—almost unconsciously—away from faith. Once they had lived joyously close to the soil, on the Merrimac River estate of their parents. Now they have moved to Beacon Street and become a disgruntled pack of sophisticates. The play begins with the arrival of their sister Christina, who years ago scandalously ran away to enter a convent, and who has not been seen since. Her appearance proves most disturbing to the smug complacency of most of the large family, dwelling in communal stuffiness in a pretentious town house. Their errant sister (played by Lillian Gish), now a Mother Superior, alone retains the keen buoyancy of youth. During her brief stay from Christmas Eve until Christmas afternoon, she awakens their realization that they have souls—an amazing revelation. Acted by an excellent cast, including Eric Dressler, Moffat Johnson and others, *The Joyous Season* provides a more amusing evening than you might imagine.

### Tobacco Road

Play by Jack Kirkland, based on the novel by Erskine Caldwell. Presented by Anthony Brown.

IT seems the current fashion to question the validity of the democratic ideal. If all our voters were as ingenuously degenerate as are the "poor whites" of *Tobacco Road*, Fascism would be a blessing. *Tobacco Road* runs through a plantation in backland Georgia. Just to the side of the hot, dusty road is the decrepit shanty and litter-strewn chicken yard of Jeeter Lester (the most characterless loafer in seventeen counties), and his equally distinguished family. We meet only his hag-like mother (who later goes off in the fields and dies), his broken-

down wife (beautifully played by Margaret Wycherly), his son Dude (who is, as they say, studying to become a half-wit), and a cleft-palated and hare-lipped siren of a daughter (who has occasion to publicly reveal her passion in a very potent scene). Later, a prostitute, lady-minister, and sundry other characters appear, and for such an enervating climate and such congenitally weary people, a great deal happens. *Tobacco Road* gives even the hardened playgoer new sensations, on seeing how exclusively degenerate mankind can really be. It must be seen, for Henry Hull, as Jeeter Lester gives the richest, most colorful performance of the year. Jeeter actually stands before you, so harmonious in his idleness and lechery as to be almost likable. This, frankly, is not a play for Puritans. But if atmosphere, and acting, and an authentic slice of American life, however horrible, mean anything to you, it is imperative that you see *Tobacco Road*.

### Wednesday's Child

Play by Leopold Atlas. Presented by Potter and Haight.

ONCE in a blue moon a play comes to Broadway so simple, so real in its story and presentation, that most other offerings, by contrast, seem shoddy. Once in a long while, too, comes a performance so convincing and sincere that a little-known actor leaps suddenly to fame. *Wednesday's Child* as yet is hardly a box-office success. Indeed, it is possible that its career may have ended before this appears in print. And so, its star may not become "the town toast." But he can afford to wait. His name is Frank M. Thomas, Jr., and he is just twelve. *Wednesday's Child* ("Wednesday's child is full of woe") is the story of an unwanted "problem": the child of divorced parents who marry others, and destroy a boyhood. A simple plot it is—duplicated again and again in our modern world, where children too often are regarded as bothersome by-products of emotion, and are shunted off to playrooms and military schools.

### By Your Leave

Play by Gladys Hurlbut and Emma Wells. Presented by Richard Aldrich and Alfred De Liagre, Jr.

"BY YOUR LEAVE" may properly be classed as a bright little domestic comedy, yet its acting and recognition of the depression help to lift it somewhat above the level of commonplace

amusement. This may eventually come to be known as the Gish-season; for here, in *By Your Leave*, is the younger of the celebrated sisters, lending her haunting presence to delight the dear public. Few plays list so many important "names" as this one, with Howard Lindsay (author of *She Loves Me Not*), Kenneth MacKenna, Ernest Glendinning, Josephine Hull, Esther Dale, and a young lady appropriately known as Elizabeth Love, all crossing swords in fine fettle to tell the old, old story of the suburban wife and husband who have finally become poison to each other's nerves. Henry Smith (played with devastating realism by Howard Lindsay) stands atremble in the presence of the big bad wolf of middle age. His doting wife (Miss Gish) too often appears as black specks before his eyes. He suggests that each take a week's vacation alone, and no questions asked. Off to a hotel room frisks Henry, where he is made decidedly miserable by an efficient young gold-digger (Miss Love). The young lady's Junior League manner sends poor Henry scurrying back to the protective hinterland. His wife, however, has ample reasons for remaining in town until her lease on liberty runs out. See *By Your Leave* if you ever long to swap office space for a square-foot deep in the Congo.

### Sailor, Beware!

Play by Kenyon Nicholson and Charles Robinson. Presented by Courtney Burr.

EVERY successful season must have its fair quota of ribald little comedies on the less subtle of man's frailties. None is more frail—so far as relations with the skirted sex are concerned—than the gob. Since *Sailor, Beware!* is devoted to a chapter in the sailor's Odyssey of new feminine fields to conquer, and its language is authentically nautical, the play is highly plausible, and equally entertaining. Dynamite Jones of the U.S.S. *Dakota* is bet by his crew-mates that he cannot overcome the inhibitions of a certain very desirable Panama dance-hall girl. After preliminary skirmishes, Dynamite (Bruce Macfarlane) discovers himself in love. Upon this unseemly state is built a series of ludicrous consequences that will go far toward shaking you to the floor with laughter.

• OTHER PLAYS worth seeing, in addition to those reviewed in the February issue (*Ah, Wilderness!*, *The Green Bay Tree*, *Mary of Scotland*, and *Men In*

White), include: *No More Ladies*, one of the rare high comedies of the season, with not-too-modernized epigrams of the "nothing succeeds like excess" school. A blaspheming Grandma Fanny greatly aids A. E. Thomas, the play's old-time author, in making *No More Ladies* one of the things that should be seen. *She Loves Me Not* is the extravagant account of a scandal that rocks the nation when a cabaret dancer, clothed largely in the more diaphanous undergarments, is discovered in a Princeton dormitory. *Big Hearted Herbert* is a J. C. Nugent farce (that is to say he is the focal point of the festivities). Herbert, a "family man" and Harvard hater, is converted into an ardent lover of ivied college walls, after gorging on the joys of domestic felicity. *Her Master's Voice* shouts of the mad goings-on of one Farrar family, of Homewood. Another choice product of the season's crop of comedies, it is made immensely absurd by the cavorting of Laura Hope Crews, Roland Young, Frances Fuller, and Elizabeth Patterson. *The Pursuit of Happiness* still takes place, within the blankets, with Peggy Conklin and Tonio Selwart; Conrad Nagel displays his profile in *First Apple*; and down at the Civic Repertory, *Peace on Earth* continues its fight against capitalistic wars in militant journalese and somewhat outmoded expressionism. If you like mysteries, there's *A Hat, A Coat, A Glove*, with the debonair Britisher, A. E. Mathews.

## Noteworthy Musicals

THE PAST MONTH has seen no new musical of importance. The Shuberts have brought forth *All the King's Horses*. The *Ziegfeld Follies* and *As Thousands Cheer*, reviewed in the February issue, are, at present, the things to see. *The Metropolitan Opera* should be visited, supplementing the Lucky Strike broadcasts; and, as I write, we are having a season of opera in Russian at Earl Carroll's ill-fated Casino theatre. Among the metropolitan attractions enjoyed by initiates are the revues known as *Sunday Nights at Nine*, at the Barbizon Plaza Hotel. Dorothy Parker's *After Such Pleasures* recently played at the Barbizon, and is moving to a Broadway theatre. This is, of course, an adaptation from the venomously sparkling volume of short stories by this name.

## Roberta

Book and lyrics by Otto Harbach. Music by Jerome Kern. Adapted from the novel by Alice Duer Miller. Presented by Max Gordon.

FOR "those who loves fine things (particularly gowns)", *Roberta* will prove capital entertainment. For it is truly a gown-maker's holiday. There are, of course, other necessary ingredients, but they are secondary in importance. Indeed, had the producer spent a little less time in making his actresses look ravishing, he might have improved the meagre story upon which the musical hangs. Its story of a college football captain who inherits a Parisian dress-making shop, and runs it—with gestures—hailes from

the dark days prior to even the Maine Stein Song. There are pleasant music, elaborate settings, over-abundant emotions; Tamara singing "Smoke in Your Eyes" and Lyda Roberti swinging silk-clad hips.

## Important Films

### Nana

Adapted from the novel by Emile Zola. Presented by Samuel Goldwyn through United Artists.

MR. GOLDWYN, after spending a year training Anna Sten ("coming out of the darkness of Soviet Russia to enkindle the emotions of all the world"), admits, like Cynara, he was faithful to Zola in a fashion. *Nana* has been softened for our public. Possibly it had to be. But it substituted mediocrity for power, and even the undeniable quality of Anna Sten's acting hardly saves the film. The story is that of a Paris gutter-snipe, and her pilgrimage to wealth and temporary glory. At an early stage in her career she becomes the mistress of a theatrical manager; later she meets the army. The Franco-Prussian war lends excitement to boudoir life, and at the most climactic moment *Nana* quietly shoots herself.

• OTHER RECENT FILMS worth seeing, in addition to those mentioned previously, are *I Am Suzanne*, with Lillian Harvey and Gene Raymond at their best, and droves of marionettes as supporting cast; *Four Frightened People*, with Claudette Colbert exchanging her geography teacher's glasses for a costume of becoming jungle foliage, while being lost along with William Gargan, Mary Boland, and Herbert Marshall in the wilds of a Hollywood jungle. *Miss Fane's Baby Is Stolen* presents the fascinating Dorothea Wieck (of *Maedchen In Uniform*) in an intelligent story of the kidnapping of a movie star's child. *Gallant Lady* allows Ann Harding to give her usual deft performance, this time marrying the man she had adopted some years back.

## Places To Go: Sights and Sounds

MANY ATTRACTIONS await the visitor to Manhattan in addition to shows, shopping, and a view from the Empire State Building. It is significant that although the town is known as the city of skyscrapers, the average height of the island's buildings is five stories. "Little Old New York" still lingers on in the midst of tumultuous traffic and contemporary grandeur. Gramercy Park, for instance, is one of the most charming small sections of the city. Here is the Players Club, the National Arts club, and the old home of Theodore Roosevelt. The district is replete with landmarks mentioned in the stories of O. Henry, who once lived next to the Park. Stanford White's architectural masterpieces are not so numerous as they once were, but he helped give the place a quality it has never quite lost. Studios of artists, more celebrated than most Greenwich Villagers, flank the iron fencing of the little square; and only

those lucky enough to live in private homes and such hotels as the *Irving*, the *Parkside*, and the *Gramercy Park Hotel*, facing the exclusive privacy of the park, have keys to its gates. Nearby is one of the better eating places, the *Hearthstone* of 122 E. 22nd street, with an off-spring establishment solacing the appetites of midtowners. One of the few survivors of "the halcyon days" is *Luchow's* of 14th street, winner of restaurant liquor license number one, and a center for repeal celebration. Always known as an expansive establishment, with a fine table and worthy liquids, it is entering on a new prosperity. An old favorite of the theatrical profession is the *Russian Kretchma* nearby, in a basement below 244 E. 14th. Here you may dine on authentic dishes from Muskovy, dance on a tiny floor, listen to the minor cadences of a balaleika orchestra, and enjoy mad Urban-like murals. Other unusual eating places abound along Second Avenue; among them the *Russian Bear* and representatives of a dozen European countries.

The Village (Greenwich, of course) is not far away. Among the better hotels of this section are *One Fifth Avenue*, the famous old *Brevoort* (where literary and other celebrities used to gather—and still do), and the *Fifth Avenue Hotel*. Among innumerable night clubs are the *Village Barn*, *El Gaucho*, the *Village Nut Club*, and *El Chico*. Scattered around Washington Square (with its rows of distinguished old homes) and not far from Washington Mews (domicile of the various arts) are Chinese, Japanese, Rumanian, Spanish, Pirate and sundry other eating places that attract visitors and those who grow tired of the various other New Yorks of the town. For this is one of the principal attractions of our city; it is, in truth, not one metropolis but a union of nations and colonies from all the earth.

## Exhibits, Conventions, Trade Shows

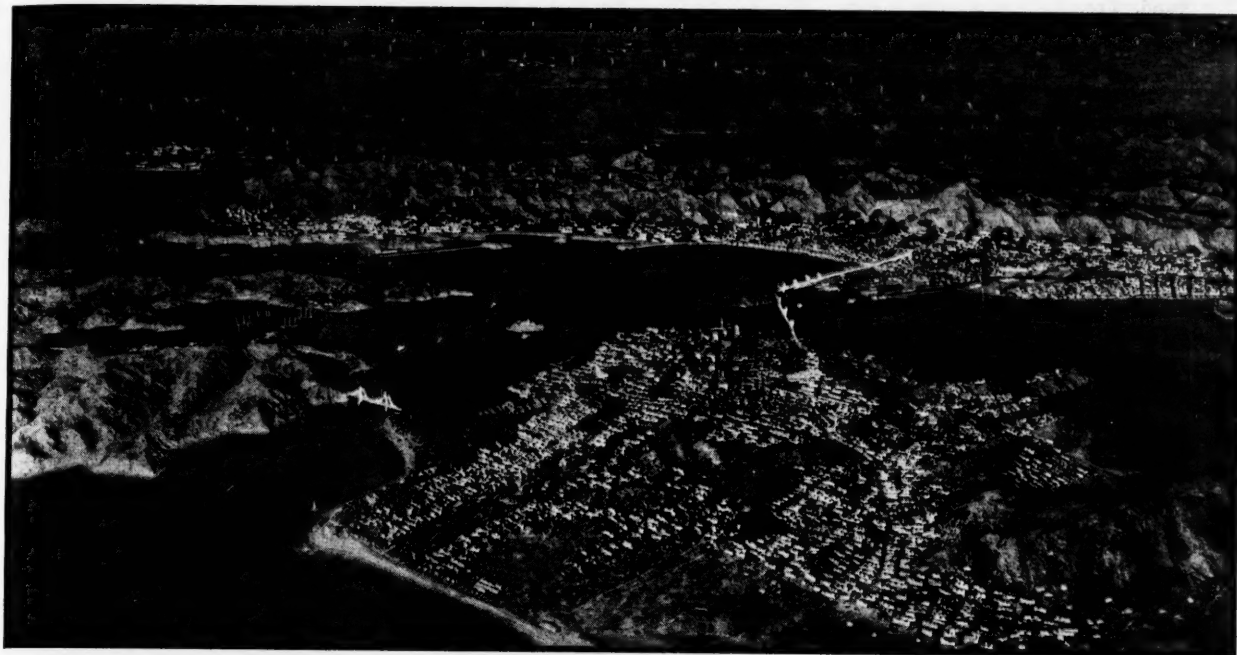
DURING THE MONTH of March the first municipal art exhibit in the history of this city is being held in Rockefeller City's "forum." It will include the work of over 500 artists, with between 1200 and 1500 individual works of art, in all media, on display. While inspecting them, do not fail to see the new murals by Sert and Brangwyn in the central building, or the truly fine "Prometheus Fountain" by Paul Manship in the forum. Another exhibit of particular interest will be that of early New York State furniture, at the Metropolitan Museum, with examples dating from 1650 to 1850.

• AMONG the conventions of the month are those of: the Export Managers Club, March 13—O. Gallup, 2 Lafayette street, New York City, secretary; the American Society of Biological Chemists Inc., 28-31—H. Mattill, Chemical Bldg., Iowa City, Ia., secretary; the Columbia Scholastic Press Assn., 8-10—J. Murphy, 406 John Jay Hall, Columbia University, New York City, secretary; and the American Mathematical Society, 30-31—R. Richardson, Brown University, secretary.



# o o o o o o a department of CIVIC ACHIEVEMENTS

In coöperation with the American Civic Association



Californians, Inc.

THIS VIEW of Northern California shows the two colossal bridges which will soon link San Francisco with Oakland, five miles across the bay, and with highways to the north via the Golden Gate. (Left) Golden Gate span, (right) San Francisco-Oakland Bridge.

## San Francisco Bridges the Bay

**W**HEN CAPTAIN John B. Montgomery of the United States Navy sailed through the Golden Gate in 1848 to raise the American flag over San Francisco's plaza, he found a community of 200 dwellings and 800 peaceful inhabitants. Only a year before the name of the settlement had been changed from the Spanish Yerba Buena. Gold had not yet been discovered in California; there was little trade other than the exchange of Mexican products for good missionary wines. The blue bay, the fertile valleys and wooded hills, and the towering mountains to the east were virtually an unexplored wilderness, their potential wealth unknown to man.

Today the metropolitan area of San Francisco and Oakland boasts more than 1,000,000 souls. The gold rush, commerce, transcontinental railways, development of industry and agriculture, doubled and redoubled the population of the region in quickly succeeding decades. And San Francisco, resting on the northern tip of a peninsula, at the very gateway of one of the world's safest and most magnificent land-locked harbors, was in a strategic position to reap full benefit of the change.

On three sides the approach to the city is by water. Westward toward Hawaii and China stretches the endless Pacific. To the east is the five-mile-wide arm of sea called San Francisco Bay, while

northward a deep broad strait is the connecting link, the bottle neck, between ocean and bay. This situation has at once been the means of making San Francisco a great harbor on the west coast, and of checking its ultimate growth in the twentieth century. For whoever approaches the city from north or east—whether by motor, rail, or on foot—must use a ferryboat in crossing the bay.

As trade brought increasing numbers of workers to San Francisco the city spread out over the surrounding hills. Then settlements began to sprout on the islands which fleck the bay and on the mainland north and east. Many of these are suburban communities whose citizens make their living in San Francisco. Daily 35,000 commuters wait for ferryboats to carry them back and forth between office and home. Yearly 4,500,000 vehicles depend on ferry transportation, subject as it is to delay in bad weather.

Directly east of San Francisco is Oakland, one of America's leading cities. Eastward again are two fertile valleys handicapped in development because of slow bay crossings. In this swift-moving age it is little wonder that citizens on both sides of the bay have clamored for bridges or tunnels to supplement ferry service. Now at long last they look up from the decks of the ferries each day to watch the progress of two of the greatest bridges the world has ever

known, one between San Francisco and Oakland, and the other across the Golden Gate itself.

Already the 450-square mile area of San Francisco Bay has six bridges, highway and railroad, connecting the various arms of land north and south. But the present projects will be the first direct routes linking San Francisco with the Oakland region on the east, and with the coast highways north of the Golden Gate. Both bridges now under construction will be ready for service in 1937. They represent a combined investment of more than \$100,000,000, and are unique in many respects.

**T**HE San Francisco-Oakland Bay span, to cost \$75,000,000, is the longest bridge in the world, reaching a total length of eight and one-quarter miles. It will have two decks, the upper bearing six lanes for automobiles, and the lower two interurban tracks and three lanes for trucks. The tallest towers of the bridge will be as high as a 70-story building. It is estimated that 12,000 men will be employed at the peak of building, and in all about 55,000,000 man-hours of work will aid Californians.

The bridge rises from a downtown terminal on Rincon Hill in San Francisco spanning the west bay in two long, suspensions with a common central anchorage. This section is the longest double



suspension ever constructed. Reaching Yerba Buena Island the highway passes through an immense tunnel, 80 feet wide and 60 high, which in turn connects with a viaduct over the low-lying section of the island. From here another span carries the highway to the toll houses at Oakland. These are built on a rocky fill some distance from the water front; and from them three modern arteries feed into Berkeley and Oakland.

The bridge is the result of a long period of public and private agitation. For several years the Board of Supervisors of San Francisco had studied the route chosen and the plans drawn up by engineers. In 1929 the state adopted the project as a part of its highway system. But not until 1931 did Congress give its necessary permission and a year later the War Department added its consent. Finally a loan of the Reconstruction Finance Corporation, \$62,000,000 at 5 per cent, set men to work. According to rules governing such federal loans, toll will be charged until the project has been paid for.

In planning this colossal undertaking due thought was given to probable future growth of the area. Without congestion the bridge will accommodate 16,000 vehicles an hour, seven times the present trans-bay traffic. Toll gates will be open day and night, winter and summer, regardless of weather conditions, a substantial improvement over ferry service. It is estimated that thirty minutes will be clipped from the time usually allowed by automobiles crossing the bay, and as much as fifteen from pedestrian traffic. Moreover the bridge will bring the rich agricultural valleys and urban centers of the east bay region into direct communication with San Francisco and the Pacific, thus benefiting the whole of northern California.

**A**LTHOUGH the Golden Gate span is less spectacular, it is a notable achievement in bridge building. Aside from the objections of the War Department, for years it was thought impossible to bridge the deep, swift-moving waters of the strait. Investigations of the Hoover-Young Commission in 1930 revealed the rocky floor of the bay. Designer and Chief Engineer Joseph B. Strauss is confident that deeply embedded piles will withstand current and earthquake.

The total cost of this Golden Gate project will be \$32,077,000. It is under direction of a quasi-municipal corporation made up of San Francisco county and other northern California counties. Taxes paid the first \$400,000 for preliminary work, and bond issues now finance construction.

The total length of the structure, including approaches, will be seven miles. Its clear suspension span of 4,200 feet breaks the record held by the George Washington Bridge over the Hudson at New York City by 700 feet. The bridge will rise above San Francisco at the Presidio and clear the water by 200 feet at high tide, leaving ample room for the mast of the tallest ship afloat. It descends to ground level almost at the foot of the Muir Woods in Marin County. The unusual weight of steel and ma-

terials in the structure will be partially supported at midstream by a tower rising from the bottom of the bay, a new departure in bridge building. When completed, a sixty-foot roadway will provide six lanes for motor traffic and two for pedestrians.

In connection with these two projects of bridge-building, the state and counties are planning new and improved highways to connect with the bridges. San Francisco's street-car system will be transformed by the introduction of fast electric elevated railways, and many blocks of the warehouse district adjacent to the terminals will be rebuilt into a modern business section.

## PWA Funds Repair Aztec Ruins

**P**UBLIC WORKS FUNDS have been allotted to preserve valuable earmarks of America's ancient civilization. In Colorado, \$16,500 is being spent at Mesa Verde National Park, and in New Mexico Aztec ruins will be bolstered up by repairs amounting to \$17,175.

Last summer pedestrian traffic through the major cave at Mesa Verde had to be discontinued because of danger to the walls of Cliff Palace. Unfortunately Cliff Palace, which dates back to about the 11th century, was built on a loose fill formed by the disintegration and sloughing of the roof of the great cave in which it stands. The entire fill is in a continuous process of settlement, and every slight shift of the subterranean material results in a similar movement in the masonry walls above.

At Balcony House the jar of foot traffic caused a seepage in the base of retaining walls which support an enormous artificial fill. Into this the cliff dwellers submerged the Kivas, or underground ceremonial rooms, topped by two-story dwellings. PWA work will check the disintegration of the ruins and protect visitors from loose masonry.

About 800 years ago the Pueblo Indians built the stone dwellings which are now included in the Aztec Ruins National Monument. These were kept in repair by the early occupants but later were left to the disintegrating forces of nature. In the restoration of this example of prehistoric workmanship special attention is given to preserve the great kiva, which interests archaeologists and visitors alike.

## Statue of Liberty Beautified

**T**HE HISTORIC STATUE OF LIBERTY on Bedloe's Island in New York Bay has been in need of repair for a long time. The statue was made a National Monument in 1924, and was transferred from the War Department to the Interior by an executive order last August. Now \$25,000 of public works funds is financing necessary repairs.

Important among improvements is the lining of walls and ceilings of tunnels through the old fort which lead to the monument. Water has been leaking through from the turf area above, dripping on visitors and resulting in a dank,

water-soaked condition in the passages. The new wall lining is of terra cotta tile and the floors are being repaved in stone.

The Statue of Liberty itself is not waterproof. Rain seeps in through the copper seams. A canopy placed over the fourth floor landing will protect landings, stairways, and elevator below.

Bedloe's Island is a 12-acre tract which has been used as an army base since revolutionary days. The barracks and stone houses are old and unsightly and there is a movement on foot to beautify the island by removing buildings and landscaping the grounds.

## Civic Sidelights

• • LOOKOUT MOUNTAIN, just above Chattanooga, Tennessee, site of the fiercest battle of the Civil War, has been added to the chain of national parks in the United States. The 3000-acre tract on the eastern and western slopes of the mountain was converted into park purposes by a corporation headed by Adolf Ochs, publisher of the New York Times. A considerable amount of money has been spent by the corporation and the state in landscaping the park and building roads and bridges. In January the property was turned over to the federal Government as part of the Chickamauga-Chattanooga National Military Park.

• • REDUCED INTEREST RATE on government loans for slum clearance was asked by Langdon W. Post, New York Tenement House Commissioner, in an address before the National Public Housing Conference recently. Mr. Post claimed that the Government's 30 per cent grant in such projects is deceptive because of the high cost of land in city areas. He said that a reduction of the interest rate from 4 to 3 per cent would insure against loss because the Government is able to borrow funds at an even lower rate of interest. At the same meeting Mrs. Franklin D. Roosevelt attacked the speculative attitude of real estate investors, who hold slum property for large profits. It was claimed that limited dividend corporations cannot effectively aid in slum clearance because rents charged in their projects are necessarily too high.

• • MEANWHILE Public Works Administrator Harold Ickes has approved the largest limited dividend building plan to date. A loan of \$5,060,000 has been granted to the Hillside Housing Corporation of New York to build 108 four-story walk-up apartments in the Bronx. The contracts will provide 1,248,000 man-hours of work for the unhappy building trades. Completed apartments will contain 4,934 rooms, each to rent for \$11 or less. About 38 per cent of the loan will pay for the 14-acre site bounded by the Post Road, Wilson Avenue, Hicks Street and Eastchester Road. The loan is payable in 35 years at 4 per cent.

• • AFTER MONTHS OF DELAY construction on New York City's Triborough Bridge, described in these pages last November, is scheduled to be resumed immediately. A new set-up of the Bridge Authority, with personnel acceptable to the federal Government, has resulted in the release of \$1,500,000 of PWA funds.

# Log-Cabin Leaders of Japan

By STERLING FISHER, JR.

From CURRENT HISTORY



KOKI HIROTA, FOREIGN MINISTER

JAPAN today presents the phenomenon of a stanchly monarchist country with its leadership drawn chiefly from the ranks of the humble. Of the six or more men who now dominate the scene, only one—Prince Kim-mochi Saionji, the Elder Statesman—was born an aristocrat. The others are self-made men, the stories of whose rise suffer nothing by comparison with noted American examples.

Premier Makoto Saito, son of a retainer of a feudal lord, was once a page in a government office. General Sadao Araki, ex-war minister, began at a little soya bean sauce factory. The finance minister, Viscount Korekiyo Takahashi, born of a poor court artist and a parlor maid, first worked as a cup-bearer at a Buddhist temple and then as an indentured farm laborer in California—a job that was little better than slavery. A poor stone cutter was the father of Koki Hirota, foreign minister, while Mitsuru Toyama, the leader of the most notorious of the reactionary ronin bands, was still poorer, and had at one time to accept assistance from Hirota's family.

No less remarkable is the fact that most of these active leaders of a youthfully vigorous people are advanced in age. Only Araki and Hirota are younger than threescore and ten. The former is 57 and the latter 55, but Prince Saionji is 84; Finance Minister Takahashi and Mitsuru Toyama are each 78 and Premier Saito is 75.

Prince Saionji, the sole aristocrat among them, is the greatest democrat of them all. His title of Elder Statesman (Genro) is based on nothing more substantial than tradition; yet it makes him,

in times of stress, the emperor's chief adviser and personal representative. Saionji, in his long span of life, has witnessed a complete political cycle in Japan. He saw feudalism break down and, as the commander of an armored samurai unit, helped to restore the power of the emperor, which through the centuries had been usurped by the military rulers, the Shoguns.

Saionji saw constitutionalism established in Japan and helped to set up the Parliament. He assisted the rise of the party system and later became president of the Seiyukai party. He spurred his country on toward democracy by helping Takashi Hara to become the first prime minister of common blood. But he has also seen heavy assaults upon the representative system that he fostered and in his eighty-third year he had to step in, after the assassination of Premier Inukai, to preserve it by rejecting reactionary and choosing for the premiership another upholder of parliamentarism, Admiral Saito. . . .

Foreign Minister Hirota, a foe of the militarist dogma of "Japan-against-the-world," is offering a new deal in Japanese diplomacy. To accept isolation as inevitable he believes is perilous and costly. There need be no "crisis of 1935," he insists, if Japan takes the initiative in smoothing out her differences with other nations. His policy assumes that much of the tension in Japan's foreign relations has come because of waiting for issues to arise rather than anticipating and preventing them.

Hirota's plan to stress a policy of conciliation has won the cabinet, and the demands of the army and navy for funds have been scaled down nearly a third. This extrication from the military leading-strings in foreign policy has encouraged the Japanese liberals, while it has not brought the outcry that might have been expected from the ultra-nationalists. Few men besides Hirota could have attained this result, but his career has been marked by so strange a mixture of influences that he inspires confidence in divergent political groups.

In Hirota strong emotions are restrained and turned to practical ends by realism. At the start of his life intense loyalty to the emperor drove him into the rabidly nationalistic Genyosha (Black Sea Society). While he was yet a high school boy, he was aroused by the refusal of the European powers to permit Japan to occupy the Liaotung peninsula



KIMOCCHI SAIONJI, ELDER STATESMAN

as one of the spoils of her victory over China. He felt Japan's leaders had shown weakness in facing the western powers and determined, in youthful fashion, to follow a diplomatic career himself in order to insure that Japan should not again lack aggressiveness. Little did he foresee that one day, as foreign minister, he would not be hardening, but softening, Japan's attitude in dealing with the West.

Once in the foreign service Hirota pushed himself upward at a tremendous pace, spending not only his hours on duty, but his time for leisure as well, in becoming an expert in the languages and affairs of the countries where he was stationed—especially China, Great Britain, the United States and Russia. From the first his brilliance caused his superiors to remark that here was a man on his way to the chair of the Foreign Minister.

By practising the austerities of Zen Buddhism he moderated his intensity and by close association with the leaders of a half dozen foreign countries he dissipated the intolerance of his early ultra-nationalism. Thus by the time he reached Moscow as Ambassador in 1930, he so well combined force of character with a sympathetic and friendly manner that he quickly cleaned the slate of disputes that seemed insoluble. This, Japan's most difficult diplomatic post, was his final preparation for his appointment as Foreign Minister.

AN IMPORTANT, semi-official influence is wielded in Japan by Mitsuru Toyama, boss of the ronin. These advocates of direct action are usually identified abroad as political roughnecks,



and foreigners are mystified in trying to reconcile Toyama's patriarchal and dignified appearance with a position assumed to be little more than that of a glorified gang leader. But this is to underestimate the place of ronin in Japanese life. "Why, what's wrong about the ronin?" the writer Ippei Fukuda quotes the noted Count Itagaki as saying. "But for this much-abused class of men, the Meiji restoration would no doubt have fallen through, and what the consequences of the failure might have meant to us is not a pleasant speculation." And though there are, as Fukuda says, "good sorts as well as bad," all ronin are beneficiaries in some degree of the reflected glory of the famous "forty-seven ronin" of Ako. To this day these retainers who avenged the death of their lord in feudal times, and paid for it with their lives, are held by the public in deepest veneration.

Thus the ronin, singly or in great groups such as the Black Dragon Society that Toyama now heads, may be considered a sort of unofficial and self-ordained department of justice, keeping watch lest the nation's dignity be offended, and holding out the threat of death to those it deems responsible. So powerful is the Black Dragon Society, and so acceptable to public opinion as a

useful part of the social order, that Toyama's home has long been an inviolable sanctuary for certain persons wanted by the police. Last year a Buddhist priest suspected of being involved in assassinations found immunity there for weeks.

High officials have found it profitable to listen to the advice of Toyama, and futile to try to buy him off. A foreign minister, it is said, once offered him about \$125,000 to leave Japan, to which he replied that he would gladly take the money, but would neither leave Japan nor modify his opposition. But despite the frequent violence and death for which younger ronin have been responsible when the political play was not to their taste, the most strenuous efforts of the police have not sufficed to find Toyama himself directly involved. Because Toyama has been a friend of Koki Hirota since the latter's boyhood, the present government is likely to be freer from ronin pressure than any other in recent years.

Predictions of a Fascist régime may thus be discounted while Japan remains under the liberalizing influence of Prince Saionji and the steady hand of Premier Saito, with Takahashi keeping a check on the budget, and with Foreign Minister Hirota comparatively free to try his faith in international coöperation.

naturally opposed to American interests gaining a foothold on the Paraguay river. The Standard Oil realizes that, because of the Mihanovich company's influence, it cannot hope to gain permission from the Paraguayan government to construct its pipe line through the Chaco to the Paraguay river. Consequently the Standard Oil, two and a half years ago, incited the Bolivian government to attempt to seize the northern Chaco, together with a port on the Paraguay, by force of arms.

WHILE this is a neat hypothesis, the fact seems to be that the Paraguayan government has already, on several occasions, offered the Standard Oil a concession for a pipe line across the Chaco, and that the Standard Oil has refused on the ground that a pipe line would be extremely costly to construct, and that oil carried by it could not compete with oil now brought from the Caribbean by tanker.

A more obvious explanation of the Chaco war is sheer militarism. The story starts with two extremely romantic men, a Bolivian Indian *cholo*, Simon Patiño, and a German soldier of fortune, Hans Kundt. Patiño, years ago, stumbled upon a lead mine, and by sheer force of character managed to prevent white men from stealing it from him. He is supposed to be able neither to read nor to write, and to be the richest man in South America. In 1924, he sold a part of his interests to the American National Lead Company for \$30,000,000. Among other fantastic acts, he has built himself a million-dollar marble tomb, in execrable taste, out in the lonely Bolivian Andes.

Kundt was in Bolivia before the World War. He returned to Europe to fight for Germany from 1914 to 1918, and afterwards re-emigrated to South America to become a Bolivian Ludendorff. He set Indian youths, in cotton shorts, to goose-stepping around the shores of Lake Titicaca, and created the finest military machine on the continent. Following his master, Ludendorff, Kundt worked through a group of young staff officers, and gave the regular army generals scant consideration. In 1930, a junta of generals revolted and drove Kundt from the country.

For several years, Kundt had been carrying on a tentative little border war in the Chaco, always edging the Paraguayan patrols southward, and knowing perfectly well that lack of communications made a war en masse suicidal. As soon as Kundt was out of the country, the Bolivian generals seized upon his highly articulated war machine and, understanding nothing of its limitations, flung it into the Chaco jungles and wrecked it. Exiled to Europe, Kundt reached an understanding with Patiño whereby Patiño was to furnish the money to continue the war, and Kundt was to return to extricate his army. Since his return, Kundt has been responsible for the deaths in battle or by disease of many thousand young Bolivian Indians. Now he has failed. There are ugly rumors that the Indian soldiers will never permit him to leave the borders of Bolivia alive.

## Latin American Survey

By JONATHAN MITCHELL

From the NEW REPUBLIC

WITH THE Pan-American Conference at Montevideo now solely a matter of history, the temptation is to feel that, like all such conferences, it was mostly a river of words. In close aftermath nothing ever seems to be done at these things. But items remain in my memory which seem to illustrate something about the state of the world and the state of Latin America.

There was Mexico's bid for economic independence, brought before the floor of the conference by Dr. Puig. Although the bid was altogether lacking in heroic quality, it dramatically illustrated Mexico's isolation. But first a word about the background.

It is wholly misleading to assert that the meeting at Montevideo was really an international conference at all. What really assembled there was a gathering something like one of Great Britain's quadrennial imperial conferences. The ABC countries, Argentina, Brazil and Chile, correspond to the self-governing dominions like Canada and Australia. Below these in rank come the crown colonies possessing local autonomy, like Venezuela, for example. At the bottom you find the simple protectorates, for instance Haiti, administered by our Division of Latin American Affairs.

It was possible, even, to draw a certain parallel between Mexico and Ireland, and between Dr. Puig and President De Valera. But Dr. Puig and President De Valera announce themselves resolved

to bring about the end of the control of foreign capital over the day-by-day life of their respective countries.

The truth of the matter is that so far as the Americas are concerned, the United States is a permanent majority of one. The governing classes of the rest of the continent, whatever they may say for home consumption, have no intention of cutting loose from our policies or crossing our will. They want too dearly to sell us goods and, even yet, to borrow our money. And so at Montevideo there was no opposition. There was only Mexico. . . .

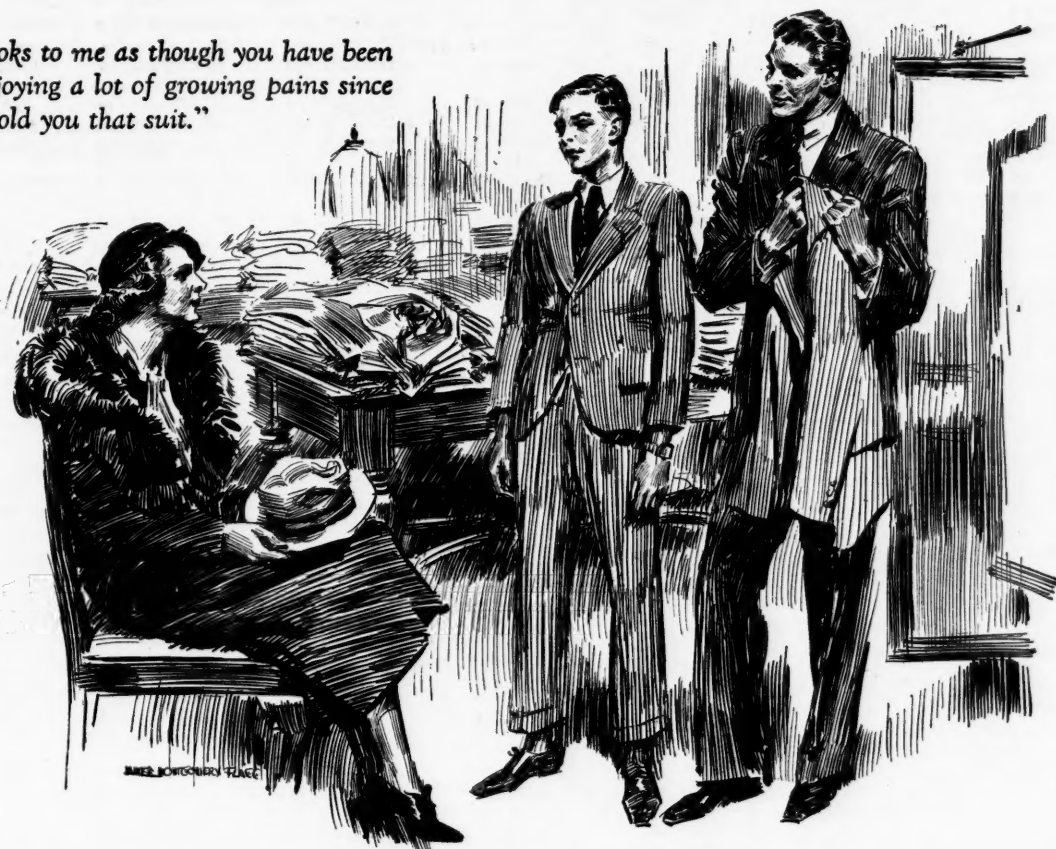
South American intellectuals, without exception, believe that the Chaco war has been in reality a struggle between the United States and Britain. On the western, or Bolivian, side of the Chaco is an oil field now owned by Standard Oil interests. This field, although small in extent, produces oil of a remarkably high grade. The most practicable way to exploit it would be to build a pipe line across the Chaco to the Paraguay river.

Established in Paraguay you find the Mihanovich company, subsidiary of the British Royal Mail. The Mihanovich concern operates steamboats on the Paraguay river, possesses extensive interests of all sorts in Paraguay and has extremely close relations with the Paraguayan government. To South American intellectuals, these circumstances provide a complete explanation of the Chaco war. The Mihanovich company, they argue, is



# The "Growing Pains" Delusion

*"Looks to me as though you have been enjoying a lot of growing pains since I sold you that suit."*



CONTRARY to widespread belief, children do not suffer pain just because Nature is making their bones longer and their muscles stronger. It does not hurt to grow.

Whenever a child suffers from so-called "growing pains," a thorough investigation should be made by a physician.

"Growing pains" come from definite causes. Among them are improper nourishment, muscular fatigue following over-exertion, exposure to cold or inclement weather when not suitably clothed, improper posture which may induce flat feet, round shoulders, round back, flat chest, pot-belly, curvature of the spine. Tuberculosis of the joints is a rare cause.

One of the most serious causes of "growing pains" in childhood is rheumatic infection.



Indeed, if it is disregarded, it may lead to permanent damage to the heart.

The onset of rheumatic infection is often so insidious that its danger to the heart may be unsuspected. This infection may cause a sore throat, as well as pains in the legs, arms or elsewhere; occasionally St. Vitus' dance. Sometimes it is accompanied by a steady, low fever. A child with rheumatic infection may look anemic, may be listless and may have no desire to romp and play. He may have little appetite and may lose weight.

While sunshine, rest, fresh air and nourishing food often help Nature to effect a cure if the disease has not progressed too far, do not delay having a needed medical examination if your child has "growing pains." He may be in great danger—the danger of permanent heart trouble.

## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT

ONE MADISON AVE., NEW YORK, N. Y.

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# GENERAL BUSINESS INDICES

FINANCIAL	JANUARY, 1934		DECEMBER, 1933		NOVEMBER, 1933		JANUARY, 1933		JANUARY, 1932	
	Data	Index	Data	Index	Data	Index	Data	Index	Data	Index
Bond Sales—N. Y. Stock Exch.	\$441,000,000	136	\$279,300,000	100	\$313,100,000	112	\$263,000,000	82	\$292,900,000	91
Stock Sales—N. Y. Stock Exch. (number of shares)	54,567,000	55	34,877,000	35	33,646,000	34	18,720,000	19	34,340,000	34
Corp. Div. and Int. Payments	\$871,926,000	102	\$566,059,000	87	\$412,855,000	80	\$863,492,000	99	\$998,000,000	114
New Corporate Security Issues	\$5,983,000	1	\$15,601,000	3	\$9,011,000	2	\$22,160,000	3	\$48,000,000	6
Money Rates in New York City	1.16%	25	.96%	21	.58%	21	.83%	18	3.29%	71
Bank Debits in New York City	\$14,023,000,000	47	\$13,013,000,000	41	\$12,204,000,000	45	\$12,413,000,000	49	\$17,676,000,000	67
Rate of Circulation of Bank Deposits in New York City	2.33	47	2.24	41	2.05	46	1.83	37	3.00	60
Index of FINANCIAL ACTIVITY	45.5		36.0		37.2		32.5		57.1	
DISTRIBUTION										
Magazine Advertising (Agate Lines)	1,528,000	59	1,941,000	56	2,061,000	54	1,266,000	49	1,138,000	62
Newspaper Advertising (Lines)	Not available		63,562,000	64	66,357,000	63	57,000,000	61	67,800,000	73
Foreign Trade	Not available		\$325,000,000	63	\$312,000,000	59	\$218,000,000	50	\$284,100,000	59
Merchandise Carloadings (Weekly Average)	341,000	70	332,000	72	378,000	69	306,000	63	372,200	77
Department Store Sales (Federal Reserve Index)	68	73	*63	*73	65	70	59	70	79	84
Bank Debits Outside N. Y. City	\$13,198,000,000	56	\$13,287,000,000	52	\$11,927,000,000	53	\$12,053,000,000	61	\$15,893,000,000	77
Rate of Circulation of Bank Deposits Outside New York City	1.40	73	1.44	75	1.30	77	1.11	58	1.38	71
Index of DISTRIBUTION	66.9		*65.8		64.7		60.2		73.4	
PRODUCTION										
Steel Ingot Production (Capacity)	34.13%	42	*33.48%	*47	27.26%	37	17.78%	22	27.00%	33
Pig Iron Production (Average Daily Tons)	39,201	42	*38,131	45	36,174	42	18,349	20	31,400	34
Domestic Cotton Consumption (Running Bales)	515,000	92	350,000	65	485,000	88	471,000	84	435,000	78
Total Construction Contracts	\$187,464,000	66	\$207,210,000	65	\$162,330,000	48	\$83,356,000	35	\$85,000,000	35
Electric Power Production (Kw. Hours Aver. Daily)	255,000,000	71	239,000,000	70	239,000,000	71	225,000,000	68	243,300,000	79
U. S. Automobile Production	**160,000	59	66,000	41	66,195	39	115,915	43	119,300	43
Commodity Carloadings (Average weekly)	207,000	60	185,000	62	214,000	63	172,000	50	195,200	57
Crude Oil Production (Barrels)	68,820,000	93	70,525,000	95	68,100,000	92	62,480,000	84	66,880,000	90
Bituminous Coal Production (Tons)	32,590,000	66	29,220,000	67	29,130,000	68	27,090,000	55	27,890,000	57
Portland Cement Production (Capacity)	Not available		15.5%	28	21.2%	29	13%	30	22%	50
Boot and Shoe Production (Pairs)	Not available		20,100,000	79	23,700,000	87	23,400,000	84	21,200,000	76
Index of PRODUCTION	64.3		*62.3		56.2		50.0		52.7	
INDEX OF GENERAL BUSINESS										
	62.1		*58.9		55.6		50.1		59.9	

\*\*Estimated

\*Revised

## The Pulse of Business

Continued from page 22

more heavily upon domestic than foreign producers. The American quota for beet sugar is 1,450,000 short tons, about 350,000 below production last year; 260,000 tons for American cane, a cut of 50,000 tons from last year's production; 935,000 tons for Hawaii, about 50,000 tons below production; 821,000 tons for Porto Rico, a cut of 150,000 below production; 1,037,000 tons for the Philippine Islands, a cut of approximately 250,000. Cuba wins a quota of 1,944,000 tons, which is about 200,000 above the shipments from the island last year, and almost 600,000 tons above the shipments expected during the coming year.

This latter will be materially modified by the peace which apparently has been established in Cuba. Clearly this is one instance where the Administration con-

siders it just or expedient to check an infant domestic industry rather than a mature foreign industry. As may be noted from the chart on page 22, Cuba, during the last 40 years, has already suffered seriously from American colonial policy. This has permitted the displacement of Cuban sugar by production in the Philippines, Hawaii, and Porto Rico.

### Sacrificing American Refining Industry

A second curious feature of the sugar proposals is the failure to mention refined sugar. Here again the domestic producer has been ignored by the President. As a result of the failure to include special protection for sugar refined

in America, American refineries have lost a great deal of their business during the past 8 years. With no differential in favor of American refining, the process itself has become a competition between the American worker and American capital in this country, and cheap foreign labor and American or foreign capital in Cuba and our colonies.

Results have been tragically striking during the last 8 years. In 1925, 16,782 tons of refined sugar were imported into the United States. This total grew to 589,092 tons in 1932, an increase of 3,400 per cent. Cuba has been the principal beneficiary, raising her exports of refined sugar from 1,182 tons to 423,252 tons. 1932 imports of refined sugar exceeded one-half the output of the principal American refinery, and were equal to the entire 1932 consumption of 21 states. Every tariff act since 1789 has had some differential to protect the refiner. Such protection was entirely omitted from the Smoot-Hawley Tariff Act of 1930.

## Cuba Establishes Order

No story of sugar is complete without Cuba. She has had her difficulties during the past few months in the form of violence and a rapid succession of presidents. The island atmosphere is now rapidly clearing. The government of Carlos Mendieta was recognized January 23 by President Roosevelt. Actually the act of recognition was by a special conference of representatives from 18 Latin American republics which was called at the White House on January 22. Cuba's trouble was a compound ailment of depression, errors of capitalism, the world trend toward economic nationalism, accumulative abuses of the Machado government, and strong doses of unseasoned Communism fed to ignorant blacks and mixed bloods.

The election of President Mendieta and recognition of his government have greatly improved prospects. Sugar grinding has already been resumed in ten mills. The rise in the quota of Cuban sugar by the United States is helpful, even though it does not quite meet the expectations of the Cubans. There is reason to believe that the tariff differential in favor of Cuba will be increased from 20 to 40 per cent. The tariff on raw sugar today is 2½ cents a pound. With a reduction of 20 per cent, Cuban sugar pays 2 cents. At a price of 1.6 cents a pound, this means a tariff of 125 per cent. The Cubans think a further cut is in order.

## What the New Deal Offers the Investor

**W**ALL STREET is the arena in which the wolves year after year have met the lambs. It has been a thrilling but rather pathetic spectacle, for the lambs have invariably been shorn and devoured. Their tragic example for some curious reason never protected the next generation of lambs. At least that is the way it has seemed to the lambs. A Senate committee listening to the unsavory revelations of financial Attilas and industrial Tamerlanes, for a year and a half, came to the conclusion that drastic remedies were necessary. A separate study based in part on the same evidence, made by a special group which had written the Federal Securities Act, confessed that these disclosures had "shocked the conscience of the nation". In the National Securities Exchange bill the President, the Senate Committee on Banking and Currency, and the Brain Trust united to deal a new hand from an unmarked, unstacked deck of cards to the little fellow on the outside. This protection takes six distinct forms.

One. It was the conviction of the Senate Committee, as well as the President's special committee, that speculative excesses were the spark which touched off the business landslide which came to an end last spring and then sent it much further down the gully than it otherwise would have gone. Its ramifications, in terms of unemployment and business losses, were so serious that something should be done about it. Thus the first effort is to insulate business against the

ONE OF A SERIES—"THIS IS THE ASSOCIATED SYSTEM"



## "...DOCTORS, LAWYERS, MERCHANTS, CHIEFS"

**ASSOCIATED SYSTEM** security holders are not a small group of men hidden in the financial canyons of New York. They are 350,000 persons of high and low degree living not only in every state of this country, but in 31 countries overseas.

Registered security holders number 253,000, almost half of whom are customers residing in areas which the Associated System serves. Occupations of security holders, estimated for the entire group upon the basis of the number found in city directories, follows:

Manual laborers . . . . .	44,997
Teachers, doctors, lawyers, etc.	25,733
Clerks and Bookkeepers . . .	21,616
Supervisors . . . . .	20,439
Storekeepers and proprietors .	18,675
Salesmen and agents . . . . .	9,999

\*Trust institutions . . . . . 9,229

\*Women, unclassified . . . . . 106,000

*\*From records of Associated Gas & Electric System. Most of the women are housewives, although the classifications above include women to a limited extent.*

The Plan of Rearrangement of Debt Capitalization was devised to preserve the Associated System intact, and thus to protect the investments of these people who have placed their savings in Associated securities. Debenture holders are urged to deposit their debentures immediately under the Plan, and to urge similar action upon others who have not yet exchanged their debentures. It is to the interest of all Associated security holders that the Plan be successful.

## Associated Gas and Electric Company

61 Broadway



New York

effects of stock speculation, and indirectly to help the citizen by making his job less insecure and his savings safer.

## Making Speculation Less Attractive

Two. The second step is to make speculation less attractive and reduce the risk of total loss. In the days when brokers accepted a margin of 10 per cent, a rise of ten points in the stock gave the "investor" a profit of 100 per cent; and a drop of an equal amount cleaned him out. This lure, still too strong, the new law would abate. It calls for a cash margin equal to 60 per cent of the current market price of the security. The Commission (Federal Trade Commission)

may raise the margin when the speculative tide flows strongly.

Three. Many investors have always felt that they were at a grave disadvantage in their relations with their brokers. All the rights and privileges seemed to be on the broker's side. He could hypothecate the customer's stock. He could lend it to a trader, who would sell it to take advantage of a decline in the market or to accentuate such a decline—a use of the stock directly opposed to the interest of the customer, who had perhaps a 50 per cent equity and was hoping for a rise. The payment for loan of the stock went to the broker and not the owner. To the customer it seemed that the broker always closed the account too soon when margin calls were unanswered.



# The Time to Buy a Fortune?

- **HISTORY** repeats itself. Every recovery from a depression has witnessed the building of new fortunes by alert investors. Buying wisely of common stocks in days like these is the time-tested way to buy a fortune.
- **BUT** "wise buying" is done only after shrewd analysis of the potential earning power of many industries and hundreds of corporations. The wise buyer weighs many factors carefully: past performance, present capitalization, management, obligations, competition; and possible developments from research presaging new fields and new markets.
- **FEW** are qualified by experience and observation to rely on their own judgment. Few have the facts, figures, knowledge of conditions, acquaintance with corporation officials: the necessary information on more than one company, if that. Yet there are men in the world's financial districts who have made a profession of gathering this knowledge. To such a man, an investment counsellor of unquestioned integrity, the "Review of Reviews" turned when besieged with requests from readers for investment information. So numerous have these requests become that it is felt that a genuine public service may be done by calling attention more widely to this source of unbiased investment advice.

## An Impartial, Unbiased Service

Please remember that the "Review of Reviews" is not in the business of selling investment advice but is sincerely interested in serving its readers in the fullest measure.

The investment counsellor we have retained was for ten years the financial editor of a leading national magazine. He spent five years with a New York investment house. His time and knowledge are now at the service of our readers. A nominal charge is necessary. We trust you will take advantage of this service as have so many of our readers.

Here are typical inquiries recently received from subscribers:

"How will the proposed merger of communication lines affect Western Union? Do you advise purchases of stock in any of the other companies affected? What do you think of Brooklyn Rapid Transit as an investment? I am told the company will be able to pay dividends if the 5c fare is retained, after certain obligations are retired. What do you know of the rumored merger between Budd Mfg. Co. and Pullman Car & Mfg. Co. Both are making the new streamlined light steel high-speed trains."

"Please furnish information on Pierpont Hotel \$1000 First Mortgage 5 3/4% Sinking Fund Gold Bond Certificate, due 1940, brought out by S. W. Straus & Co."

"What are the 1934 prospects of the United Corporation? I have 600 shares, average cost \$9. Do you recommend holding for any increase over present market price? What are prospects of Paramount Publix Corp.? I bought 500 shares at \$3. Is reorganization coming in the near future? At what price do you think I should sell?"

"Please analyze the following investments. I bought Gillette Safety Razor Co., at 14. Do you advise further purchases? I have Railways Corp., (new on Produce Exchange) selling at this writing for 3 3/8. Do you advise holding for further rise? With safety as a primary regard, what do you think of Beneficial Industrial Loan Debenture 1946, also Columbia Gas & Electric 5's, due 1952, now selling at about 70. On Chesapeake & Ohio common, do you think dividend is secure?"

"Please analyze Pilot Radio & Tube Corp. The stock was taken off the Curb Exchange in 1933. Also Globe Television & Phone Corp., which was taken off the N. Y. Produce Exchange in 1932."

"I hold a \$1000 bond of German Central Bank for Agriculture 6s due 1960. I note that the price has been going up lately. Is it advisable to sell at the present market or wait?"

"I hold a \$1000 Central Indiana Power 1st & Refunding 6% Bond of 1947. Do you advise me to continue holding it?"

These grievances the new law recognizes. The broker is limited in borrowing on his balance. He may not lend the stock without the written consent of the customer, and the interest received must be credited to the customer's account. The Commission—not the broker—will prescribe the loan value of the stock, the initial and later payments of the customer, and the method of closing out accounts. The free and easy assignment of proxies by brokers for stock which their customers owned may be made in the future only with the written consent of the customer. The broker henceforth must be a broker and not a dealer.

Four. The little fellow has always felt that the boys on the inside saw all the cards and rigged them so that he received the deuces and they the aces. The new law bans wash sales, matched orders, corners in stocks, come-on ballyhoo based upon alleged pool operations, the purchase of favorable publicity, and the traffic in options. Suppose Horace Higginbottom, the broker, sends out a market letter which speaks highly of Excelsior Smelter, intimates that a pool is active, and leaves the reader with the impression that Excelsior Smelter is therefore a good buy. Suppose further that Tom Jones calls up his broker the next day (not necessarily Mr. Horace Higginbottom), buys 100 shares of E. S. at 50, and that the stock develops a sinking spell which leaves it at 20 two months later. Mr. Jones can then bring suit against Mr. Higginbottom for his losses.

## Insiders Must Disgorge Profits

Five. When Jeremiah Hoofnagle, president of the Standard Cuff-Button Company, found that the bank would not renew his company's credit of ten million he dumped his own 10,000 shares of stock on the market, and with the kind offices of a broker borrowed another 10,000 shares which that broker was holding for the benefit of some customers. These had acted on a tip that Standard Cuff-Button had concealed items in its statement which would shortly be revealed and produce a sensation. Hoofnagle realized an average price of 35 on the stock, and a week later—after the refusal of the bank had been published—he covered his short position at 20.

Under the National Securities Act any stockholder could bring suit to force Mr. Hoofnagle to turn his profits back into the treasury of the company. In fact no officer, director, or owner of more than 5 per cent of any class of the company's stock may buy such stock and sell it within six months. If he does the profit goes to the company.

Other little items, such as a contract for supervisory services between Standard Cuff and the Nonpareil Management Company, in which the latter gets five times the market value of its services because Hoofnagle and two of the other Standard Cuff directors own all the stock of the Nonpareil Company, will have to be revealed when the National Securities Act becomes law.

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Six. Another item to which some of our corporate barons will object is the requirement of annual and quarterly balance sheet and income statements certified by independent public accountants. Monthly statements will be called for, showing gross income or gross sales. The Commission will determine the form of statement and define accounting terms. The act bristles with teeth. In addition to damages for which injured parties may sue, the Commission may bring evidence before the Attorney General for criminal action. There is also the fatal penalty of suspension for the exchange or the member, and removal of any company whose officers fail to toe the mark.

A caution: All this and more will not prevent securities from declining in value, will not protect an investor against the consequences of his own folly, or wholly eliminate financial trickery. The wolves will dye their fur and improve their cunning.

## We Adopt a Psychological Gold Standard

WHEN THE PRESIDENT signed the Gold Standard Act of 1934 on January 30, monetary history was made. It established a psychological gold standard for the United States. It is psychological because the Government is able to point to its gold-laden and bulging vaults and say: "That thar gold is back of the currency of this country. It is more gold than King Midas ever dreamed of, and is more of the yellow metal than any nation in ancient or modern history has ever had." However, if you should try to obtain any of that gold, in return for the currency which is allegedly based upon it, you would get a cold stare. If you were caught with any of it except during some stage of progress toward the federal strong boxes, you would get a cold jug. The good citizen's contact with gold is still limited to speech.

The Federal Reserve Bank of New York has some nice vaults far below the traffic of William Street which it would like to rent. So far into the rocky bowels of Manhattan Island do these steel-walled chambers reach that all vibration is eliminated. A favorite stunt is to balance a chair on two of its four legs on the concrete floor on Friday afternoon and come back on Monday morning to find its equilibrium undisturbed. This room was remarkable in many ways. It had scales capable of weighing 5,000 ounces of gold, yet so delicate that if two identical calling cards were placed in the weighing pans and one had a word in ink written on its face the scales would record the difference. One part of these sunken apartments had a series of steel cages containing neatly piled white canvas bags full of gold coins. Another part had cages with steel shelves filled with gold bars bearing the stamps of the Bank of England, the Bank of France, South African producers, or the House of Rothschild.

For the Federal Reserve system the play will be a tragedy. The twelve reserve banks together are this country's central bank—i.e., a banker's bank,

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serving much the same purpose as the Bank of England and the Bank of France. Gold is to a central bank what feathers are to a peacock or legs to a racehorse. When the Federal Reserve Act was passed it contained certain reserve clauses. These provided that the reserve banks must maintain reserves of gold or lawful money equal to 35 per cent of the deposits which member banks kept with them, and 40 per cent of the currency which the F. R. Banks issued. Since the "lawful" money referred to the greenbacks and silver certificates which were already in circulation, these reserves were intended to be in gold. The New Deal gives us a central bank without an ounce of gold. The reserve banks feel that they have been reduced to the status of errand boys for Morgenthau. An ambassador presenting his credentials to the Court of St. James garbed in an unctuous demeanor and a barrel could not feel more humiliated.

The Gold Standard Act says among other things that "No currency of the United States shall be redeemed in gold." Alice would say that it is a very curious

## What's Ahead for These Stocks?

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gold standard act indeed. The weight of this phantom dollar must not exceed 60 per cent of its old statutory weight, or be less than 50 per cent. In order to apply NRA working hours to the Treasury's calculating machines the price of gold was made an even \$35 an ounce, which gives the country a gold dollar of 15 5/21 grains, nine tenth fine, which no one is permitted to have as compared with a gold dollar of 25.8 grains which no one was permitted to have. Thus is the country made safe for the gold standard.

The country now has a managed standard. The gold is entirely unnecessary and is in fact quite meaningless. It is just so much hocus pocus designed to assure the bankers and business men that the currency is solidly founded. If the gold were all withdrawn secretly, dropped in the great Pacific deep, and good red Trenton bricks substituted, no one would be the wiser and it would not make the slightest difference as far as the value of the dollar is concerned. That is why we call it a psychological gold standard

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## Hawaiian Holiday

**V**OLCANO SIGHTSEEING PLANES are the latest fad in Hawaii. Twice daily, during the December fireworks over Mauna Loa, the Inter-Island Airways Co. sent planes circling around the belching crater of Mokuaweoweo which towers 13,675 feet above the sea. The seething pit, filled with roaring, boiling red-hot lava is counted one of the wonder sights of the world. As soon as news of an eruption is flashed abroad, tourists from Australia, Japan, America, and Europe rush to Hawaii. That is why the natives sing for joy when they see black smoke clouds rise above Mauna Loa. It is an omen of prosperity. According to scientists, who understand the psychology of volcanoes, activity at Kilauea may be expected as a sequel to the Mokuaweoweo outbreak. A good motor road leads to the very brink of this crater so that visitors may peer into its mysterious depths and satisfy their curiosity with perfect safety. If there is any running done because of an eruption in Hawaii it is running to the volcano instead of away from it.

• • AT LEAST TWO INDUSTRIES of Hawaii have held their own during the lean years. The number of flower girls on the islands has doubled since 1930,

and the diving boys who meet incoming steamers report no dearth of quarters and dimes tossed overboard by visitors. About 400 women and girls, still wearing the Mother Hubbard frocks introduced by missionaries, spend their days picking flowers and weaving garlands. A million leis extended the traditional hospitality of the islands to newcomers last year, and 1934 has made a lively start.

• • FLOWERS ARE at their best in April and May but summer is the season for sporting events. Every island outrigger canoe races on Kealahou Bay bid fair to rouse as much enthusiasm as an Oxford-Cambridge or Harvard-Yale regatta. Years ago dusky monarchs of the islands encouraged this exciting pastime but lately expert canoeists have been confining their efforts to riding the waves in their six-man boats for the entertainment of foreigners. They had almost forgotten how to paddle in racing competition until last summer's event revived interest. Now outrigger clubs are enlisting the best skill in the islands to man their craft.

• • THE BIENNIAL Trans-Pacific Yacht Classic from California marks the high spot of the 1934 season. Contenders



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• • A 12-FOOT SWORD FISH weighing 568 pounds, caught by a Hawaiian recently, set the disciples of Izaak Walton a-jitter with envy. They are organizing the Hawaii Big Game Fishing Club to see if one of their number cannot bag such a finny monster. The waters about the islands teem with fish but the biggest catches are made off the Kona coast, island of Hawaii. Here outrigger canoes and fishing boats dot the bay. Brown boys wearing shapeless hats resembling inverted cones loll on sampans. Fishermen sing as they cast their nets at dawn, and at night the glow of a torch reveals the bronze body of a native far out on a coral reef. With his flare held high and his spear poised for action, he peers into the water at his feet waiting for game fish to sail by.

### Travel News

• • EUROPEAN COUNTRIES are taking steps to lure Americans abroad despite the fallen dollar. Agents point out that although steamship fares have been adjusted slightly upward for the coming season, they are still below the 1926 figure, and that genuine travel bargains are available for the alert globe trotter. For example, minimum first class round trip rates on one of the finest trans-Atlantic ships are \$133 cheaper than in 1926, while de luxe accommodation tariffs are off 50 per cent.

Those traveling by railroad for a week or longer on the Continent, will do well to inquire about special fares for foreigners. In addition to the German reductions noted last month, Italy is making a 50 per cent concession, or 70 per cent for parties of 25 or more; the Swiss Federal Railways offer a ticket at 30 per cent saving; and Intourist, the official Soviet travel bureau, through which all visitors to Russia arrange itineraries, is issuing tickets at a 20 to 48 per cent saving, with an added 10 per cent on round trip fares.

• • BARGAINS OR NO BARGAINS there was a 30 per cent decrease in the number of Americans traveling abroad in 1933 over the previous year. The statistics are offered by the State Department at Washington which issued 107,001 passports, new and renewals, last year, compared with 153,218 in 1932.

• • MORE CHEERFUL is the report that the national parks in the United States continued to attract the customary 3,000,000 summer visitors in 1933 and increased in popularity in off-season months. Glacier, Yellowstone, and the Great Smokies counted a larger number of guests than in 1932, while the Petrified Forest Monument, including a portion of the Painted Desert, had a sudden flair of popularity.



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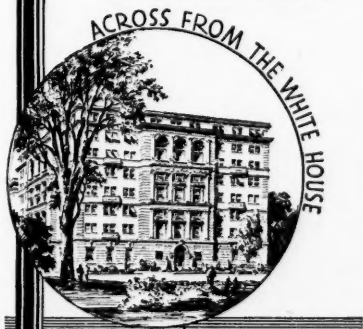
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• • FEBRUARY saw the debut of Union Pacific's new streamlined train, the first of a fleet of four which will clip twenty to twenty-four hours from the run between Chicago and the west coast. On its trial run the M-10,000 did 84 miles an hour without letting out. Capacity is 110 miles. The train, completely air conditioned and replete with modern comfort features, is run by electricity generated by its 600 HP Diesel motor which weighs only 20 tons compared with the 316 tons of the usual passenger locomotive. Eventually such trains will enter the coast to coast service. They mark the fighting disposition of the railroads to recapture passenger traffic and attract new trade.

• • TWO VETERAN BRITISH LINES, the Cunard and White Star, have joined hands in the interest of economy and are now controlled by the British National Service, a holding company. Obsolete ships will be scrapped and duplicate services curtailed immediately. A single weekly sailing between Channel ports and New York, and another between Liverpool and New York via Ireland will be maintained, as well as a number of cruises, but competitive sailings will have no place in the new schedule. Work on the 73,000-ton superliner which has been lying at Clydebank has been resumed.

## Travel Books

• • THE FAMOUS FIFTY-DOLLAR SERIES is a find for travelers who have little time and few dollars to spend in Europe. So far Sydney Clark has covered five countries: Italy, Great Britain, Germany, France, and Switzerland. He tells the reader how to buy tickets, select accommodations, and cover the high spots in any one country at a cost of about \$50 for two weeks. Reduced rates on railroads is only one of his secrets. The books are full of entertaining description and contain maps and sketches. (McBride, \$1.90.)

• • THOSE WHO LOVE ADVENTURE and travel in picture and story will do well to read "First Over Everest". It is the complete tale of the Houston-Mount Everest expedition of 1933, that successful flight which natives believe offended the All Highest and brought earthquakes on their land.

For years scientists had speculated on the possibility of looking down on the world's highest peak. Then came this historic flight in which pilots risked lives and reputation to photograph the snowy heights and glacial depressions of Everest. The book includes chapters on preparation of planes and cameras; arrangements with native rulers whose permission for the flight was essential; tales as strange as any in the Arabian Nights of the customs in Nepal where the corner scribe is still in demand, and an ox is a deer if so declared by the priest. The narrative is full of colorful anecdote and humor. The stories of the final triumph, written by the pilot and chief observer, are superb, as are the photographs which illustrate them. (McBride, 264 pp., \$3.50.)

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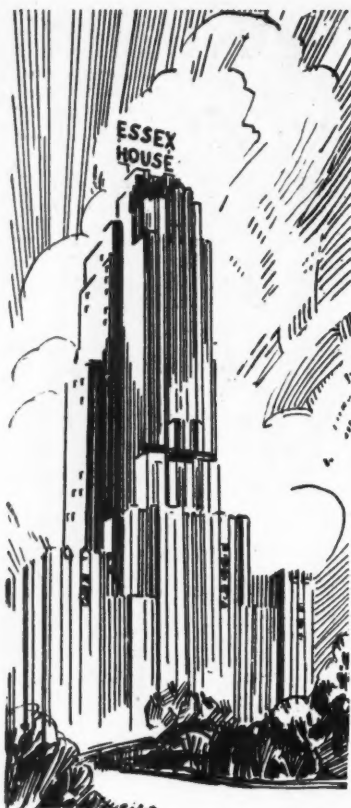
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## March of Events

Continued from page 44

to recommend public ownership and operation.

LIQUOR taxes, federal, for the second half of 1933 amounted to 98 million dollars, according to announcement of the Internal Revenue Bureau (January 23). Beer yielded 73½ millions of the total; distilled spirits were legal and taxable only the last three weeks of the period.

THE Treasury asks for subscriptions for 1 billion, half of it bearing interest at 2½ per cent and maturing in 13½ months, the other half at 1½ per cent maturing in 7½ months (January 24). The 2½ per cent issue is subscribed sevenfold; the other nearly threefold.

FOREIGN trade figures for 1933 (published January 26) show exports of 1675 millions and imports of 1448 millions; both higher than in 1932. Improvement was shown in the second six months.

VETERANS to the number of 486,926 have been removed from pension rolls by the Economy Act of 1933, according to Administrator Hines (January 29).

RFC authority is extended for another year from February 1, under the terms of a bill signed by President Roosevelt (January 21). Its funds are increased by 850 million dollars to a total of 3750 million.

RECOVERY as measured by wholesale commodity prices reaches 72.4 per cent of the 1926 ideal (February 1), according to the measuring stick of the Commissioner of Labor Statistics. The low level of 1933 was 59.6, on March 4.

GOVERNMENT workers under civil service reach a total of 627,385 in December (announced February 3), compared with 601,000 in June. It is the highest figure since July 1920. The average salary is \$135 monthly; the total \$80,000,000.

GOVERNMENT internal revenue for 1933 is reported (February 4). Individual income tax, 375 millions, exceeded the corporation tax, 345 millions, which continued to decline. Miscellaneous internal revenue, 1230 millions, was nearly double that of 1932.

SUGAR is to be added to basic agricultural products under limitation, if Congress acts upon a special message from the President (February 8). He indicates quotas for domestic beet and cane sugar production and for imports.

### Germany

Labor is thoroughly spanked as Hitler's first year comes to an end.

TWO hundred thousand German workmen assemble outdoors in Berlin (January 14) to hear Dr. Goebbels, Minister of Propaganda, explain an unpublished labor law which restores the employer as master in his house, though responsible for the social as well as in-

dustrial welfare of his workmen.

AUSTRIA demands of Germany (a note presented at Berlin January 18) that it respect Austrian independence and cease Nazi propaganda across the border; else an appeal will be made to the League of Nations.

A FURTHER step in remaking German labor is a decree by Robert Ley, leader of the Labor Front (January 26), establishing nineteen workers' groups or guilds—such as clothing, building, agriculture—dominated by councils composed of workmen approved by employees and employers, but meeting upon call of employers only.

A PEACE agreement with Poland is signed at Berlin (January 26), renouncing war for ten years as an instrument for settling disputes.

THE Reichstag, on the first anniversary of Hitler's chancellorship (January 30) passes a bill which abolishes the state legislatures and also the federal Reichsrat. The entire federal system gives way to the unitarian state.

AUSTRIA receives (February 1) and rejects as unsatisfactory Germany's reply to the Austrian protest against Nazi propaganda and interference.

### Disarmament

A larger navy in the United States and a war scare in Asia interrupt the talk of disarmament in Europe.

ARTHUR HENDERSON, president, and other officers, postpone again (January 20) any decision as to when to convoke the bureau or steering committee of the Disarmament Conference that has not yet finished the labors it began two years ago.

"DISARMAMENT by example has proved a dismal failure." This is the keynote for demands for a full treaty-strength navy by 1939 as the House receives the naval appropriation bill from committee (January 22) carrying 286 million dollars. The measure is adopted without a record vote on January 24. A subsequent bill will seek to authorize construction of 102 naval vessels.

THE naval replacement bill is adopted by the House (January 30) without a record vote. It provides for the construction of approximately 500 million dollars worth of ships, including 65 destroyers, 30 submarines, 1 aircraft carrier, and 1184 airplanes. Six cruisers are provided for in other legislation.

ITALY and Great Britain propose separate disarmament plans (January 31), though Britain's Foreign Secretary, Sir John Simon, and Premier Mussolini had personally sought common ground. Italy's plan includes permission to Germany for an army of 300,000, with Germany returning to the League. Britain's main proposal is the abandonment of



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certain classes of weapons—such as 16 to 30 ton tanks and 155 to 350 millimeter mobile land guns—by the most heavily armed powers.

AS JAPAN'S Diet assembles (January 23), General Sadao Araki is succeeded as War Minister by General Senjuro Hayashi. Foreign Minister Koki Hirota, reviewing Japan's foreign relations, notes unwarranted criticism in the Soviet Union and an aroused public opinion in America against Japan.

RUSSIA'S War Minister, Klementi Voroshilov, addressing the Communist Party Congress (January 31), remarks that Japan is not only the greatest purchaser of war material but is also making political preparations for a more serious war than she has waged in China.

GERMANY publishes (February 3) its reply, dated January 19, to French disarmament proposals of January 1. "The decisive question remains, whether discrimination to which Germany is subject is to be extended for several years. . . . The German government is firmly convinced that this is impossible."

A BALKAN peace agreement is provisionally signed at Belgrade (February 4) by Rumania, Yugoslavia, Greece, and Turkey—Bulgaria may later sign without losing her right to protest post-war boundaries.

### Obituary

**WALKER DOWNER HINES**, 63. Post-war director general of railroads. January 14.

**JOHN SHERWIN**, 65. Cleveland banker and industrialist. January 16.

**HARRISON FISHER**, 57. A foremost painter of beautiful girls for magazine covers. January 19.

**ULRICH B. PHILLIPS**, 56. A new member of Yale's faculty; authority on the history of the South. January 21.

**BARON ABERCONWAY**, Charles Benjamin Bright McLaren, 83. A Scotsman distinguished in British industry, law, and politics. January 23.

**JOHN S. CLUBB**, 59. Cartoonist of the Rochester Times-Union. January 28.

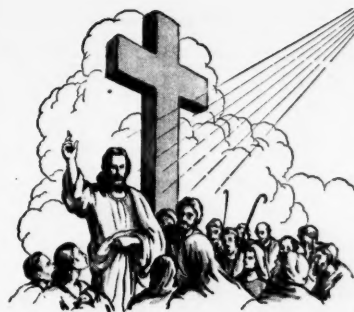
**ALBERT MORTON LYTGOE**, 65. Curator emeritus of Egyptian art at the Metropolitan Museum in New York. Jan. 29.

**FRANK NELSON DOUBLEDAY**, 72. A leading publisher of books and periodicals. January 30.

**WALTER WELLMAN**, 75. In his earlier years a brilliant journalist (a writer of articles for this magazine), he achieved air fame through an unsuccessful attempt to cross the Atlantic in a dirigible balloon in 1910. January 31.

**FRITZ HABER**. German chemist, winner of the Nobel Prize in 1918, widely known as discoverer of the process for fixation of nitrogen during Germany's war-time emergency. February 1.

**GILBERT M. HITCHCOCK**, 74. Omaha newspaper publisher, elected to Congress in 1902 and to the Senate in 1910; chairman of the Senate Committee on Foreign Relations during debate on the peace treaty. February 3.



## OBERAMMERGAU PASSION PLAY

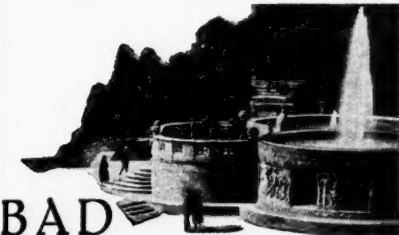
The 300th Anniversary of the famous Passion Play is to be celebrated this year. Starting May 21 with the opening performance, and ending September 23, there will be 33 portrayals in all. This makes it possible for travelers to combine any trip to Europe in 1934 with a visit to the little Bavarian village of Oberammergau.

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